

# UNEMPLOYMENT AMONG OLDER WORKERS

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HEARINGS  
BEFORE THE  
SUBCOMMITTEE ON  
EMPLOYMENT AND RETIREMENT INCOMES  
OF THE  
SPECIAL COMMITTEE ON AGING  
UNITED STATES SENATE  
NINETY-SECOND CONGRESS  
FIRST SESSION

PART 1—SOUTH BEND, IND.

JUNE 4, 1971



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# UNEMPLOYMENT AMONG OLDER WORKERS

FRIDAY, JUNE 4, 1971

U.S. SENATE,  
SUBCOMMITTEE ON EMPLOYMENT AND RETIREMENT  
INCOMES, SPECIAL COMMITTEE ON AGING,  
*South Bend, Ind.*

The subcommittee met, pursuant to call, at 9 a.m., in Colfax Auditorium, South Bend Public Library, 122 West Wayne Street, South Bend, Ind., Hon. Vance Hartke, presiding.

Present: Senator Vance Hartke.

Staff members present: William E. Oriol, staff director; John Guy Miller, minority staff director; Patricia Oriol, chief clerk; Dorothy McCamman, consultant; and Janet Neigh, clerk.

## OPENING STATEMENT BY SENATOR VANCE HARTKE, PRESIDING

Senator HARTKE. Good morning everyone. These hearings will come to order. This is a hearing of the U.S. Senate Special Committee on Aging and Unemployment Among Older Workers.

It's my privilege to act as chairman of this hearing, the first in a nationwide series on the question of unemployment among the older workers. These hearings are being conducted by the Subcommittee on Employment and Retirement Incomes of the U.S. Senate Special Committee on Aging of which I am a member.

At this time I would like to express my particular appreciation to Senator Frank Church, the chairman of this committee, who has asked me to conduct this initial hearing into what we believe is a question of dramatic importance.

It is especially significant that this opening hearing should be held in South Bend. For South Bend, like few other cities in this country, has lived with the problem of cyclic unemployment for many years. Happily, your dependence on one or two industries for the bulk of your employment is now a thing of the past. This city, although it still faces a serious unemployment problem, now has a diversified industrial base which will serve it well in the future.

Yet, South Bend should not forget its recent past. And that past must include the Studebaker Corp. On December 9, 1963, Studebaker announced it would no longer manufacture automobiles in South Bend. As a result, more than 7,000 workers lost their jobs. These people did not realize at the time that they had suffered a double tragedy, for it was not only their jobs they lost, but also their pensions. For these men the American dream of a secure retirement suddenly was turned into an American myth.

It will be the purpose of this hearing to examine how the unemploy-

ment problems of older workers—like those of Studebaker—may best be met, and their pension rights best protected. For the example of Studebaker, while it may be one of the most dramatic, clearly is not the last. Today, the distressing truth is that more than 1.1 million workers 45-and-over are unemployed, an increase of almost 90 percent over the comparable figure in January of 1969.

These statistics should then be compared to figures which show that more than half of the American wage earning force—nearly 33 million workers—is covered by pension plans; and it becomes clear that unemployment and pension losses are interrelated problems.

Many of these men who lost not only their jobs but also their pensions—when Studebaker closed its doors—are now at retirement age. It will be one of our purposes today to inquire into their situation. Is it possible to make do on Social Security? Or is additional pension income essential to a decent standard of living?

In this regard, it should be kept in mind during the course of this hearing that the total assets of plans in the country currently amount to more than \$130 billion—an amount more than four times the total assets of the Federal Old Age and Survivor Insurance Fund. It should further be noted that this massive amount of money is not presently subject to any effective Federal regulation, with the results that close to 500 pension plans fail every year.

#### SHOULD PRIVATE PENSION PLANS BE A PUBLIC TRUST?

The time is close at hand when we must decide whether private pension plans constitute a public trust and should be treated as such.

It is my belief that all necessary steps should be taken now to meet headon the problem of pension plan failures. I believe that the failure of 2,900 Studebaker workers to receive any pension payment whatsoever is wrong. In like manner, I believe it is wrong that more than 4,000 other Studebaker employees between the ages of 40 and 59 received only 15 percent of the pensions due them.

In this regard let me make it quite clear that the responsibility for plan collapses should not—and cannot—be placed entirely on the shoulders of management. The Studebaker plant in question was not created until 1950. At its creation it assumed close to \$25 million in past service liabilities—that is, it took into account the seniority and past service of men already working for the company.

Admittedly, the past service credits placed a burden on the Studebaker plan which could not be easily lifted. Whether Studebaker did all it was required to do, under law, to retire this liability we hope to determine today.

Since the Studebaker collapse, I have introduced legislation in each successive Congress which would establish a system of Federal insurance for private pensions. It is my conviction that only an approach such as this will finally solve the problem of plan failure.

In addition, I am the sponsor of the "Middle-Aged and Older Workers Employment Act," authored by Senator Jennings Randolph, which has as its purpose the drastic reduction of unemployment among workers 45-and-over. It is now generally accepted that the critical period in an individual's worklife comes between the age of 45 and 55. At that time unemployment begins to rise; long-term joblessness increases

sharply; labor force participation declines; and occupational mobility is severely curtailed.

Senator Randolph's bill would counter these trends by establishment of a comprehensive national program responsive to the unique and growing problem of the worker 45-and-over.

This country should not squander one of its most precious resources: Its older workers.

Stripped of both their jobs and their pensions, the older workers will become this country's next generation of elderly poor—unless action is taken quickly.

If we wish to avoid this eventuality, then we must avoid the creation of additional situations like Studebaker.

I trust our witnesses today will furnish the committee with helpful insights into the Studebaker crisis; and the steps which we may take in the future to avoid similar failure.

In conclusion, let me emphasize that the tragedy of Studebaker is about the most striking example of a problem which is as alive today as it was in 1963. Pension plan failures and unemployment problems for the older worker continue unabated.

I hope that this hearing will furnish a keener insight into how these parallel problems may best be met and mastered.

We also have at this time a statement from your Congressman in this District, Congressman John Brademas, and a letter with it in which he expresses his great concern and asks that his entire statement appear in the record, which will be done at this time.

Congressman Brademas has a long and distinguished record of trying to be helpful in this field; and was one of the sponsors of the Older Americans Act, which is at the present time in operation.

(The statement referred to follows:)

PREPARED STATEMENT OF JOHN BRADEMAS, U.S. REPRESENTATIVE  
FROM THE 3D DISTRICT OF INDIANA

CONGRESS OF THE UNITED STATES,  
HOUSE OF REPRESENTATIVES,  
*Washington, D.C.*

DEAR SENATOR HARTKE: In absentia, let me welcome you to South Bend today.

I planned to be with you, but the House of Representatives is scheduled to vote on an appropriations bill today and it is therefore necessary for me to remain in Washington.

I know that the Senate Special Committee on Aging, in its investigation of pension plan protection for America's workers as well as efforts to find new jobs for middle-aged and older unemployed men and women, will find its visit to South Bend most helpful.

The people of the South Bend area, I am sure, will be gratified by the Congressional concern shown by the Committee in these most important matters.

Because I share many of the same concerns, I would ask that you include my remarks, prepared for delivery before the Committee today, in the record of your hearings.

With best personal regards.

Sincerely,

JOHN BRADEMAS,  
*Member of Congress.*

[Enclosure.]

It is most appropriate that the Senate Special Committee on Aging conduct hearings in South Bend, Indiana, today on two issues so vital to the working men and women of this area: protection for private pension benefits and programs designed to train middle-aged and older unemployed citizens for new jobs.

Certainly one of the most knowledgeable Senators on these subjects is Indiana's Vance Hartke, who has championed the cause of the American worker

for many years and who has again this year introduced legislation designed to guarantee employee pension rights and to establish manpower programs for older workers. And indeed, the South Bend-Mishawaka area is a proper setting for the consideration of both of these issues.

#### STUDEBAKER CASE

South Bend, of course, is the site of the classic example of the problems which can be associated with private pension plans which prove to be inadequate.

Many of us remember vividly the shutdown of Studebaker Corporation operations here in 1963 which led to the termination of a pension plan covering approximately 11,000 local employees and retired workers. Hundreds of the older Studebaker workers who had looked forward to receiving the benefits they believed they had accumulated over many years of service with the company found themselves left with either scant funds or no pension at all. I am sure there are many here today who bear expert witness to this troubled period in South Bend history, so there is no need for me to chronicle the case at length.

Through a great community effort by labor, business and public officials, South Bend eventually recovered from this staggering loss of jobs. However, I must tell you that the plight of the Studebaker employees—particularly those who were near retirement age with no prospect of a pension income despite years of work—left an indelible memory which I have carried throughout my years as Representative of the people of the Third Congressional District.

I have long been convinced—especially since the Studebaker experience—that we must do more to protect the pension plans of American works so that they can look forward to their retirement years without fear that their pension may be jeopardized.

#### LEGISLATION NEEDED

This objective can be accomplished, I believe, by legislation establishing Federal insurance coverage for private plans and by setting solid standards for management of pension programs in order to assure adequate funding.

I have been a strong supporter of measures to stabilize pension programs for many years, and this year I am increasingly optimistic over the possibility of affirmative legislative action.

There is a growing demand for Congressional action because of the continuing collapse of private pension plans across America. None have been so large as the Studebaker case in South Bend, but still their impact cannot be minimized.

Leonard Woodcock, President of United Auto Workers, recently told the House General Subcommittee on Labor, on which I sit, that in 1970 alone, 20 plans were terminated covering approximately 4,500 UAW workers, not to mention members of other trade unions.

Following extensive hearings over a period of many months, I am happy to be able to tell you that our Subcommittee, chaired by Congressman John Dent of Pennsylvania, expects to report out in July a comprehensive bill providing Federal insurance and regulation of private pension plans in order to protect American workers against abrupt and costly termination of plans. I will be a co-sponsor of that bill.

I understand that great progress is also being made in the Senate on this legislation. Senator Hartke has provided great leadership in this field, as well as in the other issue to be considered today—job training programs for older unemployed citizens.

#### MANY JOBLESS

The Studebaker case is an unhappy memory in South Bend today. But the spectre of severe unemployment is rising here again.

The unemployment rate in the South Bend metropolitan area, which includes St. Joseph and Marshall Counties, is now 7.3 per cent of the work force—far in excess of the heavy 6.1 per cent national average.

South Bend has been classified by the Department of Labor as an area of "substantial unemployment" for nearly a year now, and the unemployment rate has hovered near 8 per cent of the work force for most of 1971.

There is no doubt that far too many of the 1.1 million Americans over 45 years of age who are now jobless live in our own area.

Just as in 1964, labor, business and public officials of the South Bend area are working together again to meet the problem of acute unemployment. I hope I may be forgiven if I say that I am proud of my role in helping to get the South Bend Labor Market qualified for special economic development assistance



under the "sudden rise in unemployment" provisions of the Economic Development Act of 1965.

A 23-member coalition group, the Economic Development Program Committee, is actively at work to take advantage of assistance from the Economic Development Administration, and its efforts are expected to provide up to 5,000 new jobs in our area in the near future. So we have made progress in the past few months, and I am hopeful we will make further substantial employment gains in the months to come.

#### CONGRESSIONAL STEPS

I am heartened—as I know are the many Third District citizens involved in the campaign to bring new jobs to our community as well as those seeking new jobs for themselves—to see recent Congressional initiatives to create jobs in both the private and public sector by the passage of the Accelerated Public Works Act and the Emergency Employment Act, the second of which the House of Representatives passed only this week.

Under provisions of both bills, high unemployment rates would trigger the release of Federal funds to create job opportunities. The Accelerated Public Works Act would fund public works construction projects for the dual purpose of producing employment and improving public facilities. The Emergency Employment Act would create public service jobs in such fields as health, education, recreation, pollution control and police and fire protection.

#### JOB TRAINING IMPORTANT

At the same time, an integral part of any concerted effort to stimulate employment involves manpower programs to train individuals to fill anticipated job openings.

Many manpower programs, albeit unintentionally, concentrate on developing the skills of young workers just entering the job market. Certainly our young people make up a disproportionate percentage of the unemployed in America.

It is important, however, that emphasis also be placed on middle-aged and older citizens who have lost their jobs because of industry cutbacks or relocation. These are men and women who want to earn a living, but lack the opportunity to do so.

One of the cruel paradoxes in America is that healthy and potentially productive citizens in the wealthiest nation on earth are forced to live a dismal existence marked by unemployment compensation checks and job rejections.

#### SUCCESS PROVED

I wholeheartedly endorse the concept of programs especially designed to prepare these older Americans to move into new employment opportunities and to return to a happier and productive life.

This concept was employed successively in South Bend following the Studebaker crisis through a special project, ABLE (Ability Based on Long Experience).

I believe the Senate Special Committee on Aging is performing a great service, not only to the South Bend area but to Congress and the entire nation, by focusing attention on these issues which are so important to us all.

I will look forward to the Committee's recommendations, and I know I share your hope that the Committee's efforts will have a great and lasting impact in improving life of the older American worker.

Senator HARTKE. We also have a statement from Mr. J. Baker, chairman, area No. 3 UAW-CAP Council, and they have a statement in which he endorses the bill and endorses the program we are presenting here this morning.

Mr. Baker? Where is Mr. Baker? Come on up. Do you want to present this?

Mr. BAKER. Senator Hartke, we have several thousand signatures on these petitions which were circulated amongst our UAW members in the counties of Elkhart, Kosciusko, Marshall, and St. Joseph. And we are deeply concerned with the pension insurance bill and would hope that Congress would take some quick action to pass it.

Senator HARTKE. I want to thank you. I might say in regard to this,

that I attempted to pass this bill as an amendment last year when we guaranteed the rights of certain Wall Street Financial Institutions. My contention at the time was that it is just as important to guarantee the rights of people who work for a living as it was those that involved themselves merely in handling the money of other individuals on Wall Street.

At that time we were assured by certain people there would be immediate action in the beginning part of this session of Congress, but like so many promises, the promises made at that time were in an effort to keep up from proceeding.

I am hopeful the voices of these people will be more effective this time in preventing a delay on the action on the pension bill.

Mr. BAKER. Thank you.

### **STATEMENT OF JAMES J. BAKER, CHAIRMAN, AREA 3, UAW-CAP COUNCIL**

Senator Hartke and staff, I appear before you today to testify on a problem which is of great concern to the majority of the United Auto Workers in Elkhart, Kosciusko, Marshall and St. Joseph Counties.

I am sure this committee is well aware of the growing need for Federal legislation by Congress to establish a program of pension reinsurance which would assure millions of workers that they would receive pension benefits at the time of their retirement.

It has been pointed out many times in the past that the American dream of a retirement pension is, in all reality, an American myth to many workers. I would only hope that for the benefit for the nearly 15,000 UAW members in our four counties who are covered by pension agreements, that some positive action by our Federal Government will come about quickly to make this dream a reality.

Far too many times today we find working men and women who have devoted their lives to an employer, fully expecting a retirement pension for the golden years of their lives, suddenly faced with the realization that the employer is shutting down the plant, has experienced business failures, or is leaving the area.

To enumerate a few of these experiences from our area, we have been faced with shutdowns by such firms as the Singer Co. back in the early 1950's, the closing of such firms as Studebaker, Cummings, Rockwell, Curtiss-Wright, and, most recently, the announced closing of the C. G. Conn plant in Elkhart—which had operated in that community for many generations. I am not going to try to analyze the reasons these companies felt it necessary to cease operations here, but would like to say that today you have heard, or will be hearing from just a handful of those workers who were involved with those closings.

Many workers in those plants were forced to accept greatly reduced pensions, cash settlements, or no pension at all. An example would be the Studebaker Corp. where about 4,000 workers received only a small percentage of each dollar of accrued pension rights.

It is not my intention to try to determine who has been negligent of their responsibilities in the past—be it management, or be it labor—it is my intention today to stress the need for Federal legislation to insure our people, and working people everywhere, of their rightful benefits at the time of their retirement.

We of the UAW's Community Action Program Council have with us today a number of petitions which have been circulated amongst our members urging support of legislation to federally reinsure pension programs. We realize that the use of petitions is not the most effective method of making our voice heard, or our desires known. However, we are also starting a program of educating and informing our members of this problem. I can assure you that the leadership of our Government will be hearing from many of our members personally in the future in this regard.

I am sure that there will be many problems of the older worker which will not be covered here today, and I trust that your office and ours will be in close contact in regard to any future questions that may arise.

I thank you for the opportunity of being heard today, and would like to submit to you these petitions.

Senator HARTKE. Thank you. The next witness we'll hear from is the assistant manager of the South Bend Employment Security Office, Mr. David Pursell.

#### STATEMENT OF DAVID PURSELL, ASSISTANT MANAGER, SOUTH BEND EMPLOYMENT SECURITY OFFICE

Mr. PURSELL. Senator Hartke, ladies and gentlemen; South Bend has just been through a period of extremely high unemployment. In the last year unemployment ranged from 5 percent in March of 1970 to an alltime high of 8 percent in February for the year. This unemployment was consistently high throughout the year.

People of the age of 45 years of age and over comprised 45 percent of this unemployment. Their unemployment lasted longer than those of other age groups. Eighteen percent of the people from the age of 45 to 65 were unemployed 15 weeks or more as compared with the age group between 25 and 44—only 5 percent of that group were unemployed for more than 15 weeks.

The average unemployment in duration was 7.7 weeks for the entire group.

I think that's about it.

Senator HARTKE. Let me ask you, Mr. Pursell, how many people are unemployed in the South Bend area at the present time?

Mr. PURSELL. At the present time in insured unemployment there's 2,700.

Senator HARTKE. That's insured unemployment. That means that's not the total. What is the total?

Mr. PURSELL. The total unemployment would be seasonally adjusted 7.3 percent of a work-force population of slightly over, I believe, 100,000.

Senator HARTKE. Which means the total here is about 7,300 people who are out of work.

Mr. PURSELL. Right.

Senator HARTKE. How many applicants have you had for unemployment?

Mr. PURSELL. Total applicants so far in the year of 1971, there have been 40,000 payments made. This would figure, say, an average of five payments per individual, roughly 8,000 individuals have been under unemployment compensation.

Senator HARTKE. That's still just under the insured section?

Mr. PURSELL. Yes; just under the insured.

Senator HARTKE. Can you break that down? In other words, in the total outside the insured—the total unemployment rate—you gave us a rate of 18 percent.

Mr. PURSELL. Eighteen percent of the insured unemployment.

Senator HARTKE. What is the unemployment total rate among the people 45-and-over?

#### OVER 2,000 45-AND-OVER UNEMPLOYED

Mr. PURSELL. The number of individuals, I would say it was roughly 2,000 at the present time, in the area.

Senator HARTKE. Do you have an employment rate in your work force out of that 100,000 among that age group?

Mr. PURSELL. No. This information we don't have.

Senator HARTKE. And you say the percentage of the people have been out of work for 50 weeks or longer. Can you break that down into numbers?

Mr. PURSELL. No, these figures are not kept.

Senator HARTKE. How many persons 45-and-over have been out of work 27 weeks or longer?

Mr. PURSELL. In Indiana, since there's no extended benefits and the unemployment payments have a maximum of 26 weeks, these people are lost through our figures; also, after they leave the unemployment. There's no adequate way to keep the records.

Senator HARTKE. After that, they are dropped from the rolls?

Mr. PURSELL. Of unemployment. For employment service job-seeking aid they'd be registered for work, if they were still actively looking for work, and hadn't given up.

Senator HARTKE. There's not an awful lot of reason for them to come back to the employment bureau if they'd been looking for work for 26 weeks and had not been able to find it; and, then come back. They don't have an opportunity for unemployment checks, isn't that right?

Mr. PURSELL. There would be some reason since 30 percent of our placements are from people over 45 years of age. It's more difficult; it may take a longer period of time, but there would be the possibility of employment. As the economy picks up, the possibility would increase.

Senator HARTKE. Any indication the economy is going to pick up?

Mr. PURSELL. Unfortunately not.

Senator HARTKE. There's a lot of optimistic talk, but not much optimistic action.

How much total benefits have you paid out this year?

Mr. PURSELL. So far, in 1971, we have paid out \$1,641,400.

Senator HARTKE. Just for the record, what is the amount of the unemployment, each check?

Mr. PURSELL. Per individual it would range from the high of \$40 a week; with four dependents it would go to \$52.

Senator HARTKE. That is \$52 a week, right?

Mr. PURSELL. With four dependents.

Senator HARTKE. Can you briefly explain to us what the unemployment office does to place these people into the mainstream of employment again? How they get them back into jobs.

Mr. PURSELL. We have a staff of counselors to aid them in selection of other types of employment. We have placement interviewers and public relations people that are constantly trying to develop jobs for the older worker. We adhere to the Federal regulation that employers cannot discriminate by age.

We have recently conducted a campaign during the last month—heavier than usual—to place older workers.

Senator HARTKE. Is your number of unemployed benefits more than it was last year on a comparable period?

Mr. PURSELL. It's running slightly higher. I have the total for 1970, which was \$4,064,628. The figure I gave earlier was through April, or the 3 months of 1971. So it is running slightly higher.

Senator HARTKE. How many counselors do you have?

Mr. PURSELL. Five.

Senator HARTKE. Five counselors for approximately 2,700 who are under insurance, and approximately 7,500 who are out of work, right?

Mr. PURSELL. Yes.

#### ONE COUNSELOR FOR 1,500 PERSONS

Senator HARTKE. That means 1,500 people for each one of those counselors.

Mr. PURSELL. These counselors wouldn't necessarily need to talk to each one of the individuals who were unemployed or looking for work.

Senator HARTKE. How many will they talk to?

Mr. PURSELL. They will talk to, over the next year, approximately 4,000.

Senator HARTKE. In a year's time four thousand? But the fact that bothers me is that you are not going to get much counseling out of five people handling that many people.

Mr. PURSELL. True.

Senator HARTKE. Is your staff as large as it was last year?

Mr. PURSELL. There has been a 10-percent cut in the staff.

#### INCREASE OF CLAIMS—CUTBACK OF STAFF

Senator HARTKE. In other words, we had an increase in the claims and a cutback in the staff?

Mr. PURSELL. Yes.

Senator HARTKE. I'm not going to ask you to explain that. That appears to be a peculiar way to help people who are out of work.

Mr. PURSELL. It made it difficult.

Senator HARTKE. Is there a bounty-point system in effect, here, based on the success you have in placing the clients that come to your office for jobs?

Mr. PURSELL. I don't understand.

Senator HARTKE. Does your system say you get credits? You place a person into a job and you get bounty points. You get points or credits?

Mr. PURCELL. Not that I'm aware of, no. If our placements go up, supposedly, our staff will go up.

Senator HARTKE. That's what I'm talking about.

Mr. PURSELL. I've never heard it referred to as that.

Senator HARTKE. I know, but it's more descriptive in a way.

Mr. PURSELL. True.

Senator HARTKE. You get a bounty if you place these people; and it's easier, as you said, to place younger people, right?

Mr. PURSELL. This is true.

Senator HARTKE. The system is operating against the older person in two ways. In the first place, he's harder to place normally because of his age. Then the system itself puts a premium on employing those who are easier to place. Thus, the employment agency would naturally go ahead and try to take those people who are easier to place.

Mr. PURSELL. With the exception of the older worker with some skills. This individual is relatively easy to place. They are in the minority and it would mean that we would place 70 percent. Our activity is channeled to those under 45, this is correct.

Senator HARTKE. And yet you have a higher rate of unemployment in people over 45.

Mr. PURSELL. This is true.

Senator HARTKE. Do you have any way of estimating how many older workers have dropped out of the labor force—who have become so discouraged that they no longer look for work?

The unemployment figures are frequently misunderstood. If a man is not actively looking for work, he drops out of the labor force, then he no longer is classified as unemployed; is that correct?

Mr. PURSELL. This is correct. We do not have these figures. It is a formula they apply to the unemployment to come up with your adjustment. Supposedly this takes into account those persons who have dropped out of the labor market.

Senator HARTKE. Under the system here, if an applicant doesn't come in every 2 months, he's dropped from the roles?

Mr. PURSELL. He is placed in inactive status.

Senator HARTKE. An unemployed dropout?

Mr. PURSELL. Yes.

Senator HARTKE. How many dropouts like that do you think you have?

#### DROPOUTS TOO NUMEROUS

Mr. PURSELL. I wouldn't hazard a guess; probably too numerable.

Senator HARTKE. Mr. Pursell, I have no further questions for you, and I want to thank you for coming today. What I'd like to do is make it unnecessary to have an unemployment bureau.

Mr. PURSELL. That would be nice. Employment service let's keep.

Senator HARTKE. That's right.

Next we'll have a panel which is composed of George Underkirk, from South Bend; Carl Demorest, from Elkhart; and, Henry Berg, from South Bend.

I'd like to pay a special tribute to this panel. One of the problems of most hearings is the fact we are not able to have the personal experiences of people shared with us. The actual day-to-day occurrences as to what happens with people.

Gentlemen, you may proceed. I don't know who wants to start first. For the sake of the record, if you will identify yourself and where you are from before you start speaking.

## STATEMENT OF GEORGE UNDERKIRK, SOUTH BEND

Mr. UNDERKIRK. My name is George Underkirk, Senator. I'm 62 years old, and have been laid off since April 1 of this year.

I spent over 35 years at Studebaker and left there in July of 1964 and joined Project ABLE. I stayed with ABLE until October of 1965 and joined Adams Engineering.

The economy has caused some general layoffs and I was kept on longer than I really expected. I was laid off March 31. I have a chance of being called back. I have a couple of other job offers, one of which I think will materialize soon.

I think that, probably, science and technology have bypassed some of the workers in my age group. Probably a retraining program would be good for some individuals. That's about all I have to say.

Senator HARTKE. Mr. Underkirk, let's have a little bit more discussion on this matter. You say science and technology have passed some of your age group by.

Mr. UNDERKIRK. The application of science to methods of doing business in industry, commerce, and so forth.

Senator HARTKE. You think this process is speeding up?

Mr. UNDERKIRK. I think of data processing immediately.

Senator HARTKE. Explain that a little bit, will you?

Mr. UNDERKIRK. I think the use of data processing probably eliminates some employees.

Senator HARTKE. What did you do with the manpower development and training people?

Mr. UNDERKIRK. I worked for Project ABLE, which was the organization getting jobs for people aged 50 and above. I was a job developer.

Senator HARTKE. How effective do you think that program is?

Mr. UNDERKIRK. Very effective.

Senator HARTKE. Did it provide an opportunity for people who otherwise would not have had an opportunity?

Mr. UNDERKIRK. Very much so.

Senator HARTKE. You are sold on ABLE?

Mr. UNDERKIRK. Yes.

Senator HARTKE. How long did you work for Studebaker?

Mr. UNDERKIRK. 35½ years.

Senator HARTKE. What about your pension rights?

Mr. UNDERKIRK. I had withdrawn my contributory pension.

Senator HARTKE. You were salaried?

Mr. UNDERKIRK. Right.

Senator HARTKE. How long did you work for Adams?

Mr. UNDERKIRK. Nearly 6 years.

Senator HARTKE. How long have you drawn unemployment compensation benefits?

Mr. UNDERKIRK. This will be the fourth week.

Senator HARTKE. And how do you live in the meantime? Let me ask you first, what's the amount of the check? I do not want to embarrass you.

Mr. UNDERKIRK. Due to the fact that my wife is employed, \$40.

Senator HARTKE. Your wife works full time?

Mr. UNDERKIRK. Correct.

Senator HARTKE. Without that you'd have a hard time getting along, right?

Mr. UNDERKIRK. Very much so.

Senator HARTKE. Now, you anticipate your going to go back to work?

Mr. UNDERKIRK. I hope very soon.

Senator HARTKE. In other words, as far as you are concerned, it's not a question that you like to be on the unemployment rolls?

Mr. UNDERKIRK. Never.

Senator HARTKE. Frequently we hear comments, you know, from some embittered people who say people are on unemployment rolls because they don't like to work.

Mr. UNDERKIRK. Maybe in 10 percent of the cases, but I think 90 percent would prefer doing something.

#### AGED FEEL EMPLOYMENT HANDICAP

Senator HARTKE. Do you feel your age is a handicap to your getting a job?

Mr. UNDERKIRK. Slightly. You are not told so, but I'm sure for a job available, a younger man would be chosen.

Senator HARTKE. Have you found any absolutely overt acts in which you have been discriminated against because of your age?

Mr. UNDERKIRK. Never.

Senator HARTKE. They don't tell you so to your face, you mean?

Mr. UNDERKIRK. That's correct.

Senator HARTKE. Do you find any indication where you thought that has been the inhibiting factor?

Mr. UNDERKIRK. I felt so in my own mind.

Senator HARTKE. Whether it was true or not, you could never prove it?

Mr. UNDERKIRK. That's correct.

Senator HARTKE. I think that's fair.

A VOICE. Excuse me, Senator. Question from the floor here, Mr. Underkirk.

After 35½ years—

Senator HARTKE. Just a moment. May we have your name?

Mr. ELICK. Robert Elick.

After 35½ years at Studebaker Corp.—it's probably none of my business to ask you a personal question like this—how much did you receive from the corporation pension fund?

Mr. UNDERKIRK. This was my contributory pension that I had withdrawn. It was between \$1,800 and \$2,000.

Mr. ELICK. About 35½ years, \$1,800 and \$2,000?

Mr. UNDERKIRK. I had withdrawn that 3 or 4 years before my being phased out at Studebaker.

Mr. ELICK. You knew they were going back, so you just wanted to get out?

Mr. UNDERKIRK. Oh, no. I had my mother in a nursing home for 7 years, and I was really strapped for money.

Mr. ELICK. Thank you.

Senator HARTKE. Next?



## STATEMENT OF CARL DEMOREST, ELKHART

Mr. DEMOREST. My name is Carl Demorest from Elkhart. I worked for C. G. Conn for 23½ years and was laid off on May 14. I lost my retirement and, of course, group insurance. I presume that—no doubt, any job I would take—I would have to take quite a cut in pay. I wouldn't consider relocating at this point.

Another important factor—because there are a lot of them out in the country—primarily is because my wife is working. She has a good job with a lot of seniority—22 years. We have a real nice home. I'd like to keep it.

I think the unemployment in this area, of course, is extreme; in the Elkhart area as well.

I have tried to help myself. I took a locksmith course about a year ago and started on this. I knew this was coming. I tried to do something to help myself. It takes time, and I presume at least a year or so, probably, before this would do me any good.

I signed for my unemployment, and signed my first voucher yesterday for my first check.

Senator HARTKE. That's the first check you have had, in your life, on unemployment?

Mr. DEMOREST. Absolutely. I hope it will be the last one.

Senator HARTKE. Not a very pleasant experience; is it?

Mr. DEMOREST. No; it isn't. I have never been unemployed in my life.

Senator HARTKE. Never before?

Mr. DEMOREST. As an adult, never been out of work before.

Senator HARTKE. How old are you?

Mr. DEMOREST. I'm 47—I'll be 48 Monday.

Senator HARTKE. And you worked how long with Conn?

Mr. DEMOREST. About 23½ years.

Senator HARTKE. And they have cut back their employment?

## EMPLOYMENT CUT TO ONE-THIRD

Mr. DEMOREST. About 2 years ago, our employment was around 650 to 700. It's down to around 220, 230 now.

Senator HARTKE. Is there any chance you think you can go back there?

Mr. DEMOREST. No; they have indicated that the place will be phased out completely by the first of the year.

Senator HARTKE. What was the nature of your work?

Mr. DEMOREST. I was a trombone slide mounter, and assembler on final assembly, and repairman.

Senator HARTKE. And your wife works at the present time?

Mr. DEMOREST. Right.

Senator HARTKE. How long has she worked?

Mr. DEMOREST. Ever since we have been married. She has 22 years' seniority at the place she works.

Senator HARTKE. How does it feel to be the—

Mr. DEMOREST. I'm glad she's working.

Senator HARTKE. How does it feel to have her support you?

Mr. DEMOREST. Not too good. It's the first time it's ever happened. I don't mind a few days' vacation, but I wouldn't want it to continue.

Senator HARTKE. Do you think you'll be able to get work at a comparable rate of pay as to what you had before?

Mr. DEMOREST. No; I just can't see it. My only chance would be to, get back possibly, back to work for a horn factory.

Senator HARTKE. Do you consider yourself old?

Mr. DEMOREST. Sometimes I feel like it; yes. No; not really. I've good health. I don't think I'm old.

Senator HARTKE. Do you really consider yourself, physically maybe, in the prime of your life at the age of 47?

Mr. DEMOREST. Who knows? I don't know.

Senator HARTKE. But you have already prepared yourself—in your own mind—at the age of 47 to take a job which would be at a lesser rate of pay than you heretofore have had?

Mr. DEMOREST. I don't think I'll ever see the day that I'll make the money that I made in the past. I would hope so, but I don't believe I will.

Senator HARTKE. Are you going to turn down a job?

Mr. DEMOREST. Absolutely not. I won't turn up my nose at anything. I want to work. I don't want to be unemployed, and I don't want to be on relief.

Senator HARTKE. Even if it pays less than what you earned before?

Mr. DEMOREST. Absolutely.

Senator HARTKE. Generally speaking, has Elkhart been a community with good employment?

Mr. DEMOREST. In the past, I think Elkhart was one with the least unemployment. I think before this recession—or whatever you want to call it—there were all kinds of jobs around there.

Senator HARTKE. What about your pension?

Mr. DEMOREST. When I was laid off, I talked to my chief steward; and as far as I know, there's nothing for me. I've lost everything; and, at my age, I don't quite understand all of it; to my knowledge I don't have a thing I can get out of it.

Senator HARTKE. And you worked for them how long?

Mr. DEMOREST. About 23½ years.

#### UNEMPLOYMENT SECURITY OFFICE JOB PLACEMENT

Senator HARTKE. I want to ask both of you, that testified so far, what help do you receive from the unemployment security office in regard to job placement?

Mr. UNDERKIRK. I have reported at the office, I think I was there 2 to 3 weeks ago. You were supposed to report, as I understand, each month. They have just told me there's nothing.

Senator HARTKE. Nothing for you?

Mr. UNDERKIRK. That's correct. I intend to go again possibly tomorrow.

Senator HARTKE. Any of the counselors offered to counsel with you?

Mr. UNDERKIRK. Not so far.

Mr. DEMOREST. It's pretty much the same with me. I have not been off work that long, I suppose. I've only been there twice. I talked to the same person two different times. And yesterday, when I was there, he did call the personnel manager of Salmer's to explain what I actually did—thinking they may have a place for me. But at this time,

they don't need a trombone man—which is the only thing I know. I'm in this category where—I guess you'd say—I don't have a trade, or anything else, outside of trombones. If there won't be a job like this available, I'll be one of those guys that'll need something. It's hard to realize. I didn't stop to think about it. I never did. I never even thought about it to this extent.

Senator HARTKE. You get placed in that old category—you're too old to work, but too young to retire.

Mr. DEMOREST. I guess so.

Senator HARTKE. That's a phrase which is frequently used about people after they reach the age of 45. They say that's one of the problems.

Mr. Berg?

### STATEMENT OF HENRY BERG, SOUTH BEND

Mr. BERG. My name is Henry Berg. I'm 54 years of age. I'm married and have four children ranging from 10 to 17, all living at home. I was employed as a custom engineer with the Bendix Corp. in their reliability and quality control department. I was terminated, due to a reduction in force in February of 1970. I found it rather difficult to obtain employment. It became necessary for me to apply for unemployment compensation, which I exhausted in September of last year.

Fortunately, my wife was able to obtain a job—as a secretary, which relieved some of my burden—which we are really thankful for.

However, we still have to dip into our savings—we were sort of hoping to keep for retirement—which we realize will be gone forever.

About 4 weeks ago I was able to obtain a job on a temporary, part-time basis which I have been working at now. The rate of pay on an hourly basis is less than half of what I was making before. However, it relieved a lot of frustrations that I had been carrying for over a year.

There are a lot of things that have been lost. As I mentioned, the savings that we had planned on for our retirement; the Social Security benefits, that I no longer had been contributing to, would be deducted from my retirement payments when I do retire; plus, all the nervous frustration.

However, we do feel, mentally, a little bit better now that I'm back to work.

It caused a lot of changes in our home. We have to do a lot of changes at home since we are both out. But things are working out. I don't know how long this job, that I have, will last. It was taken on a temporary basis. It could cease in a short time. But we'll have to take that as it comes.

I find that jobs are very scarce in this area; and, you have indicated as far as discrimination against the older people, this is something that is rather difficult to prove. One can develop this feeling that you are discriminated against—that you are all alone in this world fighting a battle. There are certain things that would indicate, at least, the condition for discrimination; insurance rates go up for older people—companies have to pay a higher insurance premium for older people when they are hired—and, of course, they also have to pay pensions or a retirement program. It would seem logical that the em-

ployer would employ somebody where there is a possibility that both could be reduced.

This is my own conclusion of what can happen in a tight labor market.

Senator HARTKE. You are 54?

Mr. BERG. Right.

Senator HARTKE. How old are your children?

Mr. BERG. They are 10, 11, 16, and 17.

Senator HARTKE. All of them, then, are in school?

Mr. BERG. That's right.

Senator HARTKE. And how long have you worked at Bendix?

Mr. BERG. Well, I've had a total of 14 years at Bendix. But I've been interrupted a couple times before.

Senator HARTKE. What is your basic qualification?

Mr. BERG. My background has been in electronics. I broadened my experience and went into energy controls—in the reliability phase of it. This is an analytical evaluation of product design.

Senator HARTKE. Do you have any opportunity to use that training, background, and qualifications in your new job at United Rental?

Mr. BERG. No, sir.

Senator HARTKE. What is the comparable pay that you had at Bendix as compared to where you are working now?

Mr. BERG. Well, comparable pay?

Senator HARTKE. In other words, how does it compare? Is your pay as much as it was before?

#### NOW EARNS LESS THAN HALF

Mr. BERG. If we were basing it on an hourly rate, it's less than half.

Senator HARTKE. In other words, you have yourself into rather a difficult position. It's not a question of your qualifications; it's a question of, you are a little bit over-qualified.

Mr. BERG. That's sort of a classic example. I've heard that quite frequently, "well, you're over-qualified." I don't know, it's pretty difficult to interpret what they mean by that. You are willing to accept a lower grade job—if you want to call it that—you're willing just to work.

I don't know the reasons why they considered it "over-qualified."

Senator HARTKE. I have to admit that—when you come back to these training programs; when you say we want to train people that have skills; and, still don't find an opportunity to use the skills that you have—I think that's two cases here.

Mr. BERG. I think there are a lot of people out of work that have talent. I've run into a lot of them who have obtained work; who have what you would call professional talent, that have had to take jobs at a much reduced salary. You can consider them half-employed, compared to what they were making before.

So they have had to make sacrifices, too. They are not being used at their maximum skill.

Senator HARTKE. It's a waste of their talents.

Mr. BERG. This is true. My feeling is that the biggest thing that could be of help would be a job opportunity program; where there would be jobs available, and training for those who need it.

Senator HARTKE. In other words, under the training programs we

have at the present time—there is training for a person for a skill, and after he's trained in that skill—there's not necessarily a place to go after it's all done?

Mr. BERG. This is true. But I think most of those unemployed people today could adapt easily to new jobs, I think there are a lot of older people who have talents. That it would be rather easy for them to be able to transfer to another type of position they could readily adapt. They do this in industry now. Not necessarily having to stick to one particular job. They could be adapted to another program with a short minimum training, if necessary. I hope I've made myself clear.

Senator HARTKE. Yes.

Mr. BERG. The thing is—there has to be jobs available.

Senator HARTKE. There has to be a job at the end of the line. Instead of training to learn a skill, what you should do is train them to fill a job. I think this is a common mistake.

Mr. BERG. I was an instructor for the Manpower Training program for a while. We had several classes go through while I was teaching electronics. The program was good. It served a good purpose; but, I think, again, it was a case where it was difficult to find jobs for the individuals once they left the program.

Senator HARTKE. Well, when you have a shrinking of the whole employment opportunity picture nationwide, necessarily the opportunities are going to shrink—even between the time you started a training program to the time you finished training a person.

Mr. BERG. This was during 1964 I'm speaking about.

Senator HARTKE. You know, I saw a cartoon yesterday in one of the papers which goes back to this question of qualifications—where the fellow with the doctor's degree was applying for a job and the fellow says, "Yes, we'll hire you." He says, "Take that man's place over there," and he points to another fellow who's digging a ditch. Then he says, "After all, you have a doctor's degree and he only has a master's degree. I think you are more qualified than he to dig that ditch."

That may be putting it in a light vein, but I think it demonstrates the real tragedy we have in the American unemployment scene.

Mr. BERG. That's right.

#### WHY NO PENSION RIGHTS?

Senator HARTKE. Mr. Demorest, I would like—for the benefit of our record here today—if you would obtain, in writing for us, a reason why you have no pension rights after having worked for 23 years. If you could do that.

Mr. DEMOREST. I probably could get the answer right now if I could call somebody up. I think they are in the audience.

Senator HARTKE. We are going to take a break in just a second here, and we'll find out. I'd like to have an explanation for that. It bothers me that a man can be employed regularly for 23 years in one place and not have any pension rights whatsoever.

Mr. DEMOREST. I should have looked into this myself.

Mr. ELICK. Before you take a break, I'd like one more question.

Senator HARTKE. Go ahead.

Mr. ELICK. I'd like to ask Mr. Henry Berg, after 14 years at Bendix Corp.; you have apparently not been severed, you have just been laid

off. What compensation do you have from the Bendix pension fund?

Mr. BERG. I have been terminated. I'm severed from the company. I don't ever expect to be called back. There is always a possibility. If work picks up, they may call me back. At the present time Bendix is retiring people at the age of 55, and I'm only 1 year away. So the odds are pretty slim that I would be called back.

I was fortunate in the retirement program that I went in at an early enough age. That I was able to retain my 14 years toward my pension program. Because I was old enough when I first—

Mr. ELICK. When you are 55 years old, you'll probably draw \$200 from Bendix?

Mr. BERG. Some small amount. It won't amount to that.

Mr. ELICK. Not as much as \$200?

Mr. BERG. I doubt very seriously. It will be a small amount. The ratio is based on age 65, and it downgrades to a very small amount.

Senator HARTKE. Let me just say to all of you gentlemen, I suppose when you're back home, by yourself, frequently you thought that maybe you were all alone in this problem, and that it was just happening to you. I want you to know there's over a million people in these United States that this is occurring to. I want you to know that's one of the reasons why we are here, in these hearings, trying to do something about this problem.

Mr. BERG. I realize that, Senator. The frustration is pretty hard to describe, that goes through one's mind, when you are seeing your family being denied. When, seemingly, everybody else around you is living at a normal pace, and you are having to do without.

But there was a time, I would say about a year ago, when it seemed to be quite well dramatized that we were having unemployment problems. It was in the papers. Of late you have to look at page 14 to be able to find the figures as to what the rate of unemployment is.

Senator HARTKE. I'll tell you what, we are going to have a break at the request of the South Bend Tribune—so they can go ahead and make sure they have at least part of this hearing on the front page.

[Whereupon, a short recess was taken.]

Senator HARTKE. Can I have your attention, please?

You may have seen these sheets of paper, these pink sheets. If you want to make a statement and want to write it out on here, your views will be printed in the record<sup>1</sup> of this hearing. Also a copy of the hearing will be sent to you after it's printed. If you just want to receive a copy of the hearing after they are done, you just write your name on there and say, "Send me a copy of the hearing," and we'll be glad to send them out.

If you have any questions or statements you'd like to make on this, just write it down on the paper.

A VOICE. I'd rather say it out loud, sir.

Senator HARTKE. We'll try to do that, and we'd like to get a few people that came from a—

A VOICE. Would 2 minutes be too long?

Senator HARTKE. We'll schedule you in this morning, ma'am.

The next panel we have is a panel of former Studebaker employees. T. Forrest Hanna from South Bend, Roy Buettner from Walkerton,

<sup>1</sup> Appendix 2, p. 65.

Joseph Meszaros from South Bend, Clarence Hoctel from Mishawaka.

Now, we do have, also, available here an explanation of Mr. Demorest's difficulty—which we'll try to work in this morning—as to what his situation actually is.

The first panel demonstrated how the pension difficulty starts.

Now, with this panel we have before us at this moment, we focus on the pensions themselves. These people are former Studebaker employees.

And now, gentlemen, who is going to start?

We have with us James Hill, who is with the UAW, and is a retired UAW international representative. He is going to be the chairman of this panel.

Mr. HILL. Senator, first I'd like to give you a witness who we somewhat facetiously call a three-time loser. You can be a three-time loser through no fault of your own. I think he can tell you the story a great deal more fluently than I can. I'd like to have Forrest Hanna, who was the former officer of the union, and also acted in the affairs of the union. He was active, along with many of us, when we put the pension plan together. I'd like to have Forrest Hanna be our first witness.

#### STATEMENT OF T. FORREST HANNA, SOUTH BEND

Mr. HANNA. Senator, I think to start out with—the majority of you people out there are acquainted with me—how I spent a little over 29 years at the plant. Of course, when the plant closed my 29 years, insofar as the pension was concerned, that went down the drain.

At the time the plant closed, I was working for the State Labor Department, State of Indiana in the mediation service. I worked down there 8 years and 2 months, and I was eliminated there. There again it requires 10 years of service in order to be eligible for pension.

At the present time I'm working out at the Torrington Co. on the night shift. There the pension plan requires a minimum of 10 years for eligibility of pension. And I'm going to be 59 next month, and just won't have the time in order to get the 10 years in.

So, Senator, there's three cases where I've kind of been bit by the pension: and, I think, there's a drastic need to see that other people don't get caught in this same trap.

Senator HARTKE. When you were with Studebaker, you worked how long for them?

Mr. HANNA. Twenty-nine years.

Senator HARTKE. And how much pension did you receive?

Mr. HANNA. On severance around \$750. Approximately in that neighborhood.

Senator HARTKE. At the time, what was your pay, monthly, that you were receiving? Let's have it on a weekly basis, do you remember? What was your pay at Studebaker?

Mr. HANNA. A little better than \$100 a week. I'm more fortunate than some other people. I'm a skilled tool grinder and I fared a little better than some of them.

Senator HARTKE. You have been able to earn your own way?

Mr. HANNA. Yes; kind of tough. In 1969 I was off 3 months; last year I was off 4 months. In 1969 it was kind of tough because I was

off 3 months without any unemployment compensation. Being laid off from the State, you're not eligible for any benefits.

So I was off 3 months and I had no income at all.

Senator HARTKE. So you are a three-time loser in the pension field?

Mr. HANNA. Yes.

#### CASH SURRENDER VALUE OF 29 YEARS—\$750

Senator HARTKE. Well, just recount that. With Studebaker, you worked for them 29 years and ended up with \$750?

Mr. HANNA. Right.

Senator HARTKE. With the State you ended up with 8½ years?

Mr. HANNA. Not quite 8½ years.

Senator HARTKE. You'd have to have 10 to qualify. What happened, did you pay into the pension fund?

Mr. HANNA. Yes.

Senator HARTKE. You received what you paid in?

Mr. HANNA. I got back what I paid in.

Senator HARTKE. You got your own money back?

Mr. HANNA. Plus 2 percent, 2.5 percent interest I think it was.

Senator HARTKE. To you people who are not from Indiana, perhaps you don't understand why the crowd laughed. But I do.

At Torrington you've been with them how long?

Mr. HANNA. I'll have 2 years' seniority in August, but I have only a year and a half pension credits because I've been laid off. You don't accumulate any time toward your pension when you are laid off.

Senator HARTKE. What's the retirement age at Torrington?

Mr. HANNA. Compulsory at 68.

Senator HARTKE. You have to have 10 years?

Mr. HANNA. It would be kind of tough.

Senator HARTKE. You see, this raises another question on pensions which goes beyond insuring pensions or guaranteeing that the pension plan is adequately funded. That's the portability of pension rights. If you could have even held your State pension rights in and moved them over and transferred those credits to your next job, that would have been fine.

In any case, in all these cases, though, you had three major employment areas. Your change of employment in each of the two cases was no fault of your own.

Mr. HANNA. Not at my request.

Senator HARTKE. The net result is that you were at the mercy of the marketplace. Is that right?

Mr. HANNA. Right.

Senator HARTKE. You are boxed in all around, you'd say?

Mr. HANNA. Right.

Senator HARTKE. I think most people do know you, and I have known you a long time.

Mr. HANNA. I have five children, and the youngest will be 21 this year. We do have our home paid for, but as far as trying to keep up the home and live—

Senator HARTKE. What are you going to live on after you retire?

Mr. HANNA. I don't know. That is a question.

Senator HARTKE. Have you checked into what you'd get on Social Security?



Mr. HANNA. Well, I think we won't hit the maximum because—you've got to remember—we had some pretty lean years at Studebaker. There were very many years we didn't reach the maximum in Social Security. So it's going to be difficult for a lot of these Studebaker people to draw the maximum on Social Security.

Senator HARTKE. Do you know what the maximum is?

Mr. HANNA. It's \$220 or \$225. I talked to a fellow the other day, he had his figured up. He was thinking about retiring early. He would have been eligible for \$205, \$206.

Senator HARTKE. I don't want to embarrass you in front of these people, Forrest, and if you don't want to testify on this, you don't have to. Do you care to tell them what your present income salary is? Would you rather not?

Mr. HANNA. No; I can tell them. I'm a tool grinder and we make \$4.44 an hour at the present time.

#### SOCIAL SECURITY—25 PERCENT OF PRESENT INCOME

Senator HARTKE. Net result of this, if you go back on Social Security, you'll be living on about 25 percent of what you're making at the present time?

Mr. HANNA. Be in the area of that.

Senator HARTKE. And you will be reduced to a standard of living in this country—which happens to be the richest country in the world—and you are going to be living on 25 percent of what you are making at the present time?

Mr. HANNA. I don't have any plans of retiring under present conditions. I'm still hoping that something is going to be done and I might get a break.

Senator HARTKE. I have often said that—at least by the year we celebrate our 200th anniversary as a Nation—this Nation ought to say to all of its senior citizens that their standard of living and income should be at least 50 percent of what they were making on the day before they retired. I don't think that's an unreasonable goal.

Mr. HANNA. I agree with you. It should be. But it's kind of tough right now.

Senator HARTKE. Thank you, Forrest.

Mr. HILL. Our next witness is Roy Buettner. He should be able to draw out the fact that portability of pension is one of the prime needs. He's been around a lot and worked a lot of places. He was either connected directly with automotive or aircraft industry, where the corporation did have a pension, but as a result of short tenure there, he didn't make it.

Roy, I think, should dramatize why portability—lots of people don't know what portability of pension means—

Senator HARTKE. If you don't have portability, you are out of luck.

#### STATEMENT OF ROY BUETTNER, WALKERTON

Mr. BUETTNER. My name is Roy Buettner. Let me state this, Senator, I don't have portability. I worked at the Studebaker plant and never worked long enough, under their pension plan, to accumulate enough time to be eligible for a Studebaker pension. I was laid off in 1953. But since then I worked. I worked for 2 years at General Motors

and they had a pension plan. But I left there because Studebaker called me back, and I thought, at the time, that was a pretty good place to work. And in 30 days they laid me off.

So then I went to Curtiss-Wright; and, at the time I applied there, they told me they had 12 years' work, and it was Government work, and insured, and so on and so forth. In 5 years they shut the plant down.

So from there I went to various organizations, finally winding up at Rockwell Standard. At Rockwell Standard they had a very good pension plan, I might state—

Senator HARTKE. You folks come on in if you want to, but, please, just sit down so we can go ahead with the hearings. Please sit down.

Go right ahead, Roy.

Mr. BUETTNER. At Rockwell Standard I worked for 5 years, and then they decided that they didn't care for the Mishawaka location any longer. They shut their plant down. From there I went to Cummins, at the old Studebaker plant and foundry; and, after about 2½ years there, they shut down. I'm now working at Allied Products, which is the old Studebaker complex; they don't have a pension plan, and understandably. There are people who, like myself, have been bitten, let me say, by pension plans. And when you are negotiating terms from the union, they went in and negotiated for a package and we received all the industrial propaganda and so forth, and \$1.85. I'm using a round figure, a package. We go probably 50 cents an hour increase in wages. So much went for vacations, and so much went for holidays, and also so much went for pensions.

Now, somewhere along the line General Motors and Rockwell Standard—they didn't have an established plan at Rockwell, did they, Red?

Mr. HILL. Yes.

Mr. BUETTNER. Yes; that's right, they did. These places have anywhere from 12½ cents an hour to, possibly, a fourth of what I figured that I could have got on my pay check over a period of 23 years.

And one other thing that I—

#### AFTER 23 YEARS—NOTHING

Senator HARTKE. In other words, you feel as far as the pension plan—because of the system, the way it's worked—that the pension plan, in effect, has not provided you with any benefits. But, at the same time, it did cut down in the amount of money you would have received in your pay check, at the time, as an offset to an increase in wages?

Mr. BUETTNER. That is right.

And one other thing. At the time I got laid off at Curtiss-Wright, in looking for work I went to Portage. At this time the steel mills were just being completed, but I was 51 years old and I was rejected for employment.

Now, here again, like Forrest, I'm a skilled, trained man and they were needing this type of help. But I was rejected because of a— they told me they had a 15-year pension plan, and—being 51 years old and having to retire at 65—I couldn't come to work there because I wouldn't be able to complete my 15 years for the pension.

Senator HARTKE. In other words, it's a form of discrimination which definitely came to the forefront. And I think this is a point which we have been trying to make in the hearings in Washington for quite some time. It's very difficult to get across to some people that this actually happened.

Now, we are at last documenting that situation. Let me ask you another question. Now, you will have no pension whatsoever?

Mr. BUETTNER. None.

Senator HARTKE. How are you going to live after you retire? Are you going to retire ever?

Mr. BUETTNER. You know, sometimes, Senator, you think well, maybe the good Lord will take me home before I have to worry about this. Because as we spoke of this, here I'm making, we'll say, a round figure of \$175 a week. If I were to retire the first of July, I would have to live on just slightly more than this for a month.

In other words, again we come to this 25 percent because of the fact that my wife is 6 years younger than I am—and she's not employed, I might state. Therefore, it would be 6 years, or whatever the comparable time is, before she would be eligible to get whatever it is, 50 percent, of what I'm getting. This would take me to 71. And that's, I don't know—

Senator HARTKE. You don't have any arrangements with that man to keep—

Mr. BUETTNER. No; I don't have an arrangement.

Senator HARTKE. What this amounts to—in simple language—is when you retire, if you retired now, you would take a 75-percent cut in income.

Mr. BUETTNER. Roughly.

Senator HARTKE. Roughly, a 75-percent cut in your income, on Social Security?

Mr. BUETTNER. This is right.

Senator HARTKE. At least Social Security has to be increased much more than it is at the present time. And just providing for a cost-of-living increase will not take care of the deficiency.

#### OVER \$37 BILLION IN SOCIAL SECURITY FUND

I might point out, too, while we are talking about Social Security, that the Social Security fund has over \$37 billion in it. They have been overcharging all employees for these past few years, over my strenuous objection. They have been charging the people who work too much, and they have accumulated over \$37 billion. They take that cash, and they transfer it over into the Treasury—from one side to the other—and take bonds and buy Government bonds with it; and take that money to pay for the war in Vietnam and other things, instead of going ahead and getting the highest rate of interest for it. It draws probably in the neighborhood of less than 5-percent interest total now—due to the fact the way it's invested. And that could really provide, if you put it out, another 24-percent and 36-percent interest that some places charge. You could really have an increase in benefits in the Social Security fund.

But again, if you took it back at the prime rate—and I can think of nothing more secure than the Social Security fund—you could put it out to receive about 7.5 percent. That means again that the older people

are being deprived of their rightful benefits, under the Social Security fund, in not getting the interest on the money that they have paid in themselves.

Thank you. We appreciate that, Roy.

Mr. HILL. Senator, our next witness is a gentleman who has worked in the same place all of his adult life. In fact, during his boyhood. He hasn't been laid off, but he's lost his pension. I think his case dramatizes pretty well a pure case of pension loss. It doesn't get involved in seeking employment or anything like that. This would be Joe Meszaros.

#### STATEMENT OF JOSEPH MESZAROS, SOUTH BEND

Mr. MESZAROS. My name is Joseph Meszaros, and I have been with Studebaker since 1923. I was 15 years old when I started working at Studebaker. I had many lean years, incidentally, during the early part of my working at Studebaker, so I couldn't accumulate anything in regards to putting money aside to take care of myself in my old age. Besides, I had certain family obligations which took most of it away from me.

But at the time of Studebaker's closing in 1963, I was 55 years old, and I had 40 years in at that time. I'm still presently employed. I do get full weeks in now. And I have nearly 48 years with the company at the present time.

I have lost all my pension rights. I did get a \$1,296 pay settlement for the number of years I had vested in a pension program—which would amount to maybe 1 year of what I would have drawn had the pension continued.

The other thing that I have lost with the closing of the corporation is my insurance policy. After I leave Studebaker, I won't have any insurance whatever, and no medical insurance.

Previously, a retired person was able to carry on part of his insurance program with the management, and he'd get benefits that were sufficient enough to bury him in case he died. It wouldn't be a hardship on his widow to bury him. He did have some medical coverage which at the present time, when my employment terminates with the corporation, I'll lose even my insurance rights.

Senator HARTKE. Let me ask you, Mr. Meszaros, Studebaker is still in existence?

Mr. MESZAROS. Yes; they are. At the present time, Sasco is Studebaker Automobile Sales Corp. of America, and they provide parts for the automobiles that are still in existence.

Senator HARTKE. Why would you lose your pension rights if you are still working for the same corporation?

Mr. MESZAROS. Well, in 1964, when our contract expired with the corporation, the pension program was terminated. We weren't able to reinstate it for the employees that were employed.

Senator HARTKE. You did not have any guarantee that the pension would continue, and there was nothing to guarantee that the pension rights would continue?

Mr. MESZAROS. We were just told that the termination of the pension program in its entirety was terminated at that time, and they would not reinstate it.

Senator HARTKE. Why is your insurance canceled as soon as you retire?

Mr. MESZAROS. Well, we tried to get some form of insurance that we could carry on, but we are so short in number—

Senator HARTKE. How many are there of you?

NO GROUP INSURANCE FOR 13

Mr. MESZAROS. Thirteen left at Studebaker out of approximately 23,000 employees. At the present time, there's only 13 hourly rated people working there. And you can't carry a group insurance if there's no group to carry it under.

Senator HARTKE. You have mentioned your own personal situation. Have you talked to other people who were embittered by the loss of their pensions?

Mr. MESZAROS. Since I'm chairman of the Studebaker unit in regards to the union principals, I talked with all the men there. Every man that I represent—they have over 45 years of seniority, and they have all lost their pensions—they are very bitter about the matter, because they are all in the same boat that I am.

In fact, once they draw out—once they leave the employment at Studebaker or Sascos—they have to all look for supplemental income.

Generally, if they are fortunate to find it, if they are in good health, they'll have to work harder to supplement their Social Security than if they continue employment at Studebaker. Our years at Studebaker are numbered. Attrition of the automobile since 1963 has depleted the cars in the United States, and there won't be any lucrative point in keeping the place going.

In the same way with the attrition of parts. The parts are fast depleting down to the point where they are no longer available. Since there's no volume to substantiate buying parts, because they have to be made at an extremely high price, they wouldn't be able to sell them.

So, I presume the company will terminate their South Bend holdings at the end of 1972 when their lease expires on the building they have at the present time. That will terminate the employment of the 13 people that we have at the present time.

But the bitterness is well established in the men. In fact, there isn't a day comes up that some man doesn't bring it up in point of conversation in one manner or another. We have had one man that worked there—he was extremely bitter about the matter, and I guess he just didn't see that he could make ends meet, to what he had been used to, so I talked to him quite a bit—he was so depressed that one day he just went home, closed the garage doors, and that was the end of him.

Senator HARTKE. That's pretty sad.

Mr. MESZAROS. I know two people, personally, that decided that they no longer cared to live. And I have heard indirectly of many others that had done so.

Senator HARTKE. That's very sad. Thank you, sir.

Mr. HILL. Our next witness, Senator, is Clarence Hoctel. Clarence has had most of the experiences the others have had, and in addition has had some experience himself. Like the others, he lost his pension, wasn't able to get—he had a great deal of experience with other retired workers because he was an active member of the Project ABLE during its duration.

## STATEMENT OF CLARENCE HOCTEL, MISHAWAKA

Mr. HOCTEL. Senator Hartke, my name is Clarence Hoctel from Mishawaka, Ind. I worked for the Studebaker Corp. approximately 39 years total. I had 30 years vested in pension rights, or equivalent to \$75 a month coming when the Studebaker plant closed. I was very fortunate after they closed. I secured a job with Project ABLE on April 1, 1964. I worked there a total of 18 months, and then it was discontinued. Then from there I went for a 3-month period while the National Council on Aging was terminating their program here. I worked there for 3 months, and then I was off from January 1, 1966, until December 19, 1966. From there I went with the Real Service program that was started by the United Community Services, and I'm presently working there.

But the fact that I lost the \$75 pension that I had coming at this particular time, if the plant had been in existence, I would have had a great deal more coming. I'd have to have this pension from Studebaker in order to carry on almost normal activities. But that is not possible now due to the fact that the pension is gone.

And my personal opinion would be that something should be done by the Federal Government to see what can be done about these corporations that close their doors, or go out of business. The pension rights should be secured some way or another, and maybe something can be done to keep people from losing their pensions.

Senator HARTKE. You worked at Project ABLE?

Mr. HOCTEL. Yes; I did.

Senator HARTKE. How many of those people were placed that worked at Studebaker?

Mr. HOCTEL. Placed by Project ABLE itself?

Senator HARTKE. Yes.

Mr. HOCTEL. I didn't have access to those records.

Senator HARTKE. Did it work well?

Mr. HOCTEL. Yes, it did. In fact, I think they discontinued it too fast. It should have continued on at least 6 months or another year.

Senator HARTKE. How much did you receive in your lump sum did you say?

Mr. HOCTEL. Approximately \$900.

Senator HARTKE. What will happen to you now if you retire? You are 62, right?

Mr. HOCTEL. Yes.

Senator HARTKE. Will you have to live on Social Security?

Mr. HOCTEL. That's what I will get. Exactly.

Senator HARTKE. All you people are faced with the same thing? You'll be living on Social Security, about 75 percent of what you are making now—less than that in some cases?

Mr. HOCTEL. Probably so. I'll probably receive, if I would work until I was 65, I'd probably get \$200 a month.

Of course, the only thing we can do is just curtail our living, cut our activities down so we'll be able to get by. Otherwise the next step would be welfare, and I certainly don't want to go on welfare.

Senator HARTKE. Mr. Hill, I want to thank you for bringing this panel.

There are two people here that have indicated that they want to speak, Grady Davidson and Clyde Root. Are they here?

Mr. HANNA. Senator, could I say one thing? You have heard our plight here, and I'm quite sure that there are many more people sitting out here that face the same thing.

One thing that bothers us a whole lot is this tax problem. Property taxes and the right to reclaim some of these benefits. You know, you have heard from us. Let's just take a minute. Let's see how well the Studebaker Corp. has fared since the closing.

#### STUDEBAKER STOCK—UP 150 PERCENT

At that time I think their stock was running somewhere between \$3 and \$7 a share. Now, taking into consideration they had a reverse stock split, which meant that you had to give up five shares for one of the Studebaker-Worthington stock—in fact last night if you bought a share at the time this closed at \$5 and you gave up five for \$25, yesterday the Studebaker-Worthington stock was \$67.50 on the market. I'm quite sure everything they have done was legal under law. But the laws don't help us like they help some other people.

I read in the paper where the Governor of California suffered some reverses, so he didn't have to pay any taxes. A lot of people out here suffered a lot of reverses in the last 6, 7, years.

In 1969, I worked 8 months. Last year, I worked 8 months. I still have to pay taxes, and I would hope that your committee when you get down there and start looking at some of these problems, would take this into consideration, because we who have worked all of our life and have accumulated a home, well, it cost me \$35 a month taxes on my home.

Senator HARTKE. We have had promises to eliminate property taxes for a long time in the State. That's not a Federal tax, it's a local tax. But I'm hopeful that something can be done, especially for the older citizens in this regard. Sort of a homestead exception which should be available to them.

I'm going to come back to Studebaker to the comment you made. If you read the financial pages yesterday, you found out also that they were involved in a new acquisition.

In other words, they are not a nonexistent corporation. They are just nonexistent in the production of automobiles.

Mr. HANNA. This is true, but the point I'm trying to bring out, they don't give us the break that they give some corporations.

Senator HARTKE. I think you are quite right. The fact of the matter is I have a measure in to try to get tax reform. We thought we were going to have some tax reform in the bill in front of us a year and a half ago. We got a little bit, but there are people still, I think, 200 people in the United States who have over \$1 million a year income who pay no tax whatsoever.

Mr. HANNA. More and more conglomerates are being formed over a period of years. Unless something is done about it—I think once enough of these get formed—they are going to be able to set up a plant for 15, 20 years, and turn a key and move on. And you are going to see some more people stranded.

Ours is gone. But let's try to preserve something for some of these other people.

Senator HARTKE. I share your concern. I certainly am going to do everything I can. That's one of the reasons I am here.

If we can, we will have them very quickly.

Grady Davidson and Clyde Root.

I think before you proceed, I'm going to also put into the record<sup>1</sup> the June 3d issue of the Wall Street Journal—which was yesterday—an article by Margaret Nugent which is entitled, "For Many Oldsters Social Security Raise Doesn't Do Much Good." Its subtitle "Gains in Living Costs, Cutback in Other Federal Aid Hurt; No Liver, but a Banana Split," says in substance: The doctor told her she should have liver, but she couldn't afford to buy liver on her Social Security. In most cases when we provide an increase in Social Security benefits, it seems as though the people that are collecting the rent immediately provide for an immediate increase in rent.

Mr. HILL. I'd like to introduce Clyde Root. Clyde also is a skilled tradesman and job opportunities for a skilled tradesman are much faster, much greater than they are for the ordinary production worker. I'd like to have Clyde tell you of his experiences from the time that Studebaker closed down to now.

#### STATEMENT OF CLYDE ROOT, SOUTH BEND

Mr. Root. Senator, I'm Clyde Root, 64 years old. When Studebaker closed I had 16 years at Studebaker, 57 years old when they closed. There was no opportunities in South Bend. I went to Indianapolis with Chrysler Corp. to live out of town and continue my home in town, spending \$50 or \$60 a week out of town, and that's living awfully cheap. You still have all your expenses at home.

I done this for a period of 6 months. I couldn't see moving at the time.

When Cummings came to town, I went to work for them. Naturally, when I was 57 years old I couldn't get any pension rights either, at anyplace, because you have to have 10 years.

When Cummings came to town, I went to work for them. As Red says, being a skilled tradesman you have opportunities. This is true. At Chrysler I was making approximately \$4 an hour. I went to work for Cummings for \$2.20. Now people don't realize that at that age I'm cutting down on my Social Security just 50 percent. You still have to strive to get back. We did at Cummings. We brought the rate of pay up until it was comparable with other places. I happen to be on the negotiating committee there and we had things going with people that didn't have the time when we were thinking of putting in a pension plan. Anybody that had more than 5 years was given 10 years' rights. But Cummings moved out.

I went through this thing of discrimination of being too old. Nobody told me that, but I knew. I was out of work from April until September. It takes savings, because \$40 a week, you can't live on that. I don't care what you do.

I finally went to work at Jeep Corp. Now we have no pension rights at Jeep at all. And they have no time that you have to retire. But I don't know, maybe I'm wrong. I think a man should retire. I say when a man retires he should never have to work another day. I have never understood why we have laws that you can retire, supposed to get

<sup>1</sup> See appendix 1, p. 63.



Social Security, supposed to take care of you, and still everybody wants to go out and make extra money. I know I may have to, yes. But if we did have either pension rights that were carried over from one company to another—let's go way back, Senator, to the old radical in the depression of the Townsend plan—that you got enough money to live on, but you had to spend it.

If there's anything better than having the money and going out to spend the money to make the economy better, I want to know what it is. I think that the thing is coming that any person—my wife never worked. She had nothing except half of what I'll get. But if you had enough and you had to spend it, I don't mean to put it in the bank and give it to somebody and spend it. Let's get the economy going.

Senator HARTKE. I'll try. I just don't get enough votes down there. If you get the rest of the voters down there—I tried to get a 20-percent increase in Social Security this year. They said we couldn't afford it. I told them that they must understand what the problems of some of these people are. They want to know why we have this increase in welfare. Well, quite honestly, the minimum payment in Social Security has gone up from \$64 to a minimum of \$70.20 a month. That's the minimum. I introduced, and have for years, introduced a \$100 a month minimum. I thought \$1,200 a year is not too much to live on in luxury. You're not going to have a big Cadillac on that.

We passed it finally in the Senate, but when it got into the conference with the House, the House took the \$100 minimum out. Now we have a new plan coming over from the House of Representatives which says that a single person should have at least an income of \$130 a month. But what do they make you do? If you've got \$70 a month coming, then you have to go down to Welfare and demean yourself and sign up. "I have prostrated myself and I have committed all the sins in the world and I plead for a little bit of help."

There's no reason why you couldn't have \$130 a month minimum and stop some of the bureaucracy. That's what I'm going to try to do.

I instructed the Finance Committee, of which I'm a member, I have instructed them to prepare the necessary legislation to amend the bill which has passed the House of Representatives which provides for this minimum income of \$130 a month. I have told them I want to take every person who's drawing Social Security because of age, being blind or disabled and say that never again shall those people have to sign a welfare statement to get \$130 a month minimum.

If we are going to pay them \$130 a month, let's get it to them not as a matter of welfare, but give it to them because of the fact that they are entitled to it as a matter of right. And really, as you say again, that still is not very much.

Mr. ROOT. There's one other thing.

Senator HARTKE. Go right ahead. Do you have anything else?

#### THE RISING COST OF MEDICARE

Mr. ROOT. There's one other thing. This hasn't been brought up at all today. And that's the cost of Medicare. This is something else that comes out of your Social Security. And everything is rising on it.

The cost of it originally. They get it first. It comes out of your check. And secondly, what you have to pay to the hospital. You take somebody that's getting \$100 a month and they've got to pay \$90, the first payment, there goes the whole month.

These are things, and hospital costs, that are going up. I don't know why, but I think somebody ought to try to get into it.

Senator HARTKE. We are going into it deeper.

Mr. HILL. Next witness is Grady Davidson. Grady has worked at a lot of places, not because he wanted to, because circumstances made him. I think he is a prime example in both the categories we have been talking about. The difficulty of employment. We have also been talking about the agonies of losing a pension. He fits very well in both categories.

#### STATEMENT OF GRADY DAVIDSON, SOUTH BEND

Mr. DAVIDSON. My name is Grady Davidson. I'm 56 years old. I worked for Studebaker 23 years, and I thought I was fortunate when they closed their plant. They sold their foundry to the Cummings Engine Co., which is a diesel. They make diesel engines. And I was in the melting department, and they contacted me they were going to purchase this foundry of Studebakers. So I didn't have to look for employment. It was handed to me. But I didn't realize at that time it was of short duration.

Anyway, I went to work for Cummings. And as Mr. Root has already stated, we didn't have a contract. It was \$2.25 an hour—and no other benefits. And we finally got a group together and we got enough people to sign a petition and we contacted the National Labor Relations Board and got certified.

We got the UAW organized in there, and we brought our income up and got some benefits. No pension plan.

Now, as we progressed—and we thought we were making progress—we began to negotiate to talk about instituting a pension plan and the company moved away. There we were again with no employment. I got into other plants. I finally got into Clark Equipment Co., which is a good company. But the economy was going bad at that time, so pretty soon I was pushed out of there. And the last employment I did have, I was out for some time with no employment at all. And I finally got into U.S. Steel over in Gary, Ind.

We own a home here. It's too expensive to maintain the two places, so I travel backwards and forwards, which is about 70 miles each way, 140 miles round trip. So that's the situation I'm in now. But it's a great loss because I won't have anything but what Social Security I do have, and like you say, I'm working piecemeal and not continuously.

Senator HARTKE. I want to thank all of you gentlemen for coming.

We just received a telegram which was handed to me from Leonard Woodcock, president of the International UAW saying UAW appreciates our holding hearings on problems caused workers by plant closings.

(The telegram follows:)

UAW appreciates your holding hearings on problems caused workers by plant closings with consequent loss of pensions and insurance protections. We have

had sad experiences in this area due to closing of Studebaker and many other subsequent terminations due to closings and mergers. Of 11,000 active workers at Studebaker 2900 lost all pension entitlements, and 4500, average age 52, average service 23 years, lost all but 15% of their pension entitlements.

Hope that evidence you develop will bring about speedy passage of legislation to prevent the hardships to workers families caused when plants terminate. UAW alone was involved in twenty pension plan terminations in 1970 due to closings and mergers.

**LEONARD WOODCOCK,**  
*President, International Union, UAW.*

Senator HARTKE. The next witness will be Mr. Frank Fahey, who is associate professor of sociology and anthropology and director of office for educational research, University of Notre Dame. With him will be Lester Fox, executive director for Real Services and the United Health Foundation, Saint Joseph County.

These people here come under the title which we have been discussing here. It may be a name you've heard. It's called Project ABLE.

#### STATEMENT OF JACK GUYON, SOUTH BEND

Mr. GUYON. Senator Hartke, my name is Jack Guyon. I'm sure you remember me. We have met before, and I think that many of the former Studebaker people in the audience should be allowed to speak. I think it's only fair. I think the rhetoric has been only good. But most of the people we have heard up in front have had jobs.

Many Studebaker men that lost their jobs had children in school. Some had children too young to understand the predicament the closing of the plant had left dad in. All these children really were aware of was pangs of hunger. Was this taken care of with a lengthy explanation as to why they were hungry?

There are many former Studebaker people that certainly were not able to get jobs. They feel that something should be done about their pensions. Studebaker certainly is not out of business today, and we feel that with the collaboration of the U.S. Government, the Studebaker Corp. with \$143 million in tax credits, were able to purchase approximately nine plants which they are now operating today. We also feel that if the Ball Band workers—and more power to them—are able to collect some money from the U.S. Government due to imports—I refer to Ball Band (Uni-Royal) workers that presumably were laid off due to the importation of canvas shoes from other countries. We understand some of them are going to collect a year or better in wages—then we are entitled to some of it, too; because Studebaker moved to Canada and the cars were imported across international boundaries and we were not allowed the opportunity to travel to Canada. Our seniority was out of the window.

I was told at one time I would have been called as a witness also. I have written many letters to you, a stack that high. I have a scrapbook full of letters I wrote.

I was chosen to meet and speak with President Johnson on behalf of the older Studebaker worker that had lost his or her pension. This was in April 1963. I also met Senator Hartke on this same occasion and, again, at a dinner given by our local newspaper. I wrote many letters concerning the plight of the former Studebaker employees and

they were printed in both the South Bend Tribune and the now defunct Mishawaka Times.

I was blackballed in this community because I put forth every effort to obtain a legitimate settlement pertaining to our Studebaker pension. I don't know why I haven't been called. I was informed, a few years past, that due to my interest and efforts on behalf of those older workers—actually, any and all Studebaker workers—that I would, no doubt, be called to Washington to testify.

Senator HARTKE. Let me say this, I do not know why you weren't called.

Mr. GUYON. I understand.

Senator HARTKE. I won't prevent you from testifying.

Mr. GUYON. I feel I should have an opportunity to speak here.

Senator HARTKE. If you will just wait a minute—

Mr. GUYON. Senator, I have been waiting.

Senator HARTKE. I know. We've many people here.

Mr. GUYON. We have heard many times from the former Studebaker officers.

Senator HARTKE. We are not going to stop you. If you will just sit down. We can't take everyone first.

Mr. GUYON. I realize that.

Senator HARTKE. We are not going to close you off.

Mr. GUYON. I don't know if I'll be able to wait or not. I think this meeting should have been held in one of the city cemeteries or in the empty buildings at Studebaker Corp. I think it would have been more fitting.

I mention the empty Studebaker buildings—so quiet and forlorn—and the city cemetery because I feel that, as far as really getting anything done in regard to our pensions, it is a dead issue.

Senator, I'll close with one last remark—

Senator HARTKE. I'm listening to two of you at the same time. I thought you said you should hold it in the cemetery? If you will, we'll try to go ahead and do this. Let me just point out that I'm here. I came here. Under normal circumstances these hearings would have been held in Washington. I want you to know that. I'm the only committee member here. I am interested, and that's why I'm here. And I'm concerned. I'm trying to be helpful.

A VOICE. I think the employees should have been heard from.

Mr. GUYON. Senator, you are concerned with what's going to happen in the future. Let me say this profoundly, every individual is the most important individual to himself. And most of us here from Studebaker are interested in the reasons why and so forth, why nothing could have been done about our pensions.

Senator HARTKE. Let me explain: I can tell you. There is nothing in the law that provides for that. At that time. I'm not defending what they did. I hope I have made it clear I'm not defending it.

In fact, I have been very critical of what happened. The fact still remains as far as trying to do something, if we are going to do anything at all, we'd better—

Mr. GUYON. We are hearing former officers—

A VOICE. The employees are tired of the whole deal and all of these fellows up here who had jobs—

Senator HARTKE. The people who just testified didn't have jobs. Let's go ahead and maybe we can develop this problem further.

**STATEMENT OF LESTER J. FOX, EXECUTIVE DIRECTOR, REAL SERVICES AND UNITED HEALTH FOUNDATION, ST. JOSEPH COUNTY**

Mr. Fox, Mr. Chairman, members, my name is Lester J. Fox. I am the executive director of Real Services and the United Health Foundation. Both agencies are private, nonprofit organizations that provide a wide range of programs and health services for older adults in St. Joseph County.

I would like to express my appreciation for the opportunity of presenting my views for your consideration on several significant matters relative to the older adult worker.

First, the pension of workers whose employer elects to terminate operations for one reason or another.

The experience of the Studebaker work force highlights this situation. The pension plan for hourly rated workers at Studebaker was established as part of the collective-bargaining agreement between the corporation and Local No. 5 of the United Automobile Workers in 1950. It had a 30-year funding period during which the past service liability was to be funded. This funding period was extended in subsequent negotiations when increased value was placed on past service resulting in a greater cost to the program.

At the time of the plant shutdown and the final settlement of the pension plan, there was a total of \$24,177,000 available for payments. Of this amount \$21,729,000 was earmarked to insure lifetime pension payments to all eligible persons—persons aged 60 and over, plus those who had qualified for a disability pension—and \$2,448,000 was available for payments to those persons who had 10 years or more of credited service and had reached age 40, but not age 60. This group had earned a vested right to a pension. The lump sum payment to this group—40 to 60—ranged from a low of \$197 up to \$1,757 depending upon the age and length of service of those eligible.

**EMPLOYER'S DECISION ONLY**

In other words, thousands of workers witnessed a promised pension vanish because of a decision made by their employer—a decision in which the worker had no voice. The vested rights of workers to a pension can only be translated into actual pension payments if there are adequate resources to provide such payments. Some type of public insurance to protect the equity of workers in private pension plans is long overdue in my judgment.

I want to take this opportunity to commend Senator Hartke for his diligent efforts on behalf of legislation in this area.

The second matter I would like to comment on has to do with unemployment. Older workers who are unemployed because of technological changes, mandatory retirement policies, plant closings, curtailment or elimination of defense industries are not particularly suited to the techniques involved in today's employment arena.

We have come to realize that nothing erodes the older worker's personality more than enforced idleness. Nothing attacks human dignity and self-respect more tragically than joblessness. There is no meaningful measure of discouragement or the sense of personal failure; no way to trace the consequences in terms of the medical care that he and

his family do not get; the drop in his family's day-by-day living standard; the slow attrition of skill and knowledge; the loss of status in the community; and the loss of faith in a social and economic order that indefinitely denies him the opportunity to do useful work.

The impact of unemployment can change an older adult from a social and economic asset to a liability. In all too many instances, out of a sense of frustration and repeated failure, he eventually ceases to actively seek employment. Soon he is no longer represented in the statistical computations which record the unemployed.

South Bend and St. Joseph County confronted the problems that occurred when older workers became unemployed as a result of the closing of the Studebaker Corp. facilities in South Bend. A special effort on their behalf, called Project ABLE, was instituted. Financed by the U.S. Department of Labor, the project was designed specifically to assist older unemployed workers in their efforts to rejoin the active labor force.

My experiences as the director of Project ABLE led me to conclude that special employment services for unemployed older workers cannot be effectively administered within the framework of the Bureau of Employment Security. This is not an attempt to unfairly criticize the bureau, but rather is a reflection on the system which I believe severely limits its ability to perform effectively for older workers.

#### OLDER UNEMPLOYED WORKER AT DISADVANTAGE

Budget considerations based on performance, special employment efforts on behalf of youth, women, veterans, minorities, the handicapped, and other categories are limiting factors on the ability of the bureau to produce. And so long as there exists a body of unemployed persons, the older unemployed worker is at a disadvantage in terms of the services he will receive.

The question of effective services for unemployed older workers must be raised and resolved. Legislation which would require the Department of Labor to contract with private nonprofit agencies for these services can provide the solution. Private nonprofit agencies, with sufficient competence, do exist, and are in a unique position to carry out the type of employment services that will meet the needs of the older unemployed worker.

Private nonprofit agencies have a closer identity in communities; can exercise a greater degree of flexibility; can respond quickly to resolve problems; are capable of bringing public and private agency resources to bear on related problems; and because they are private nonprofit community agencies, they can draw upon persons in the community for leadership roles, thereby securing the broad community support needed in this type program. Recently Real Services was awarded a title III grant under the Older Americans Act. This grant will be used to establish an employment service for older workers. Our efforts will be focused on developing part-time and temporary work assignments which will not only add earnings to those older adults with limited income, but it will also give them another opportunity to perform useful, productive work.

I have had the opportunity to briefly review the legislation introduced by Senator Kennedy entitled "Older American Community

Service Employment Act." I will summarize my attitude on this legislation by reiterating a conviction I hold based on experience. Older adults, professional and nonprofessional, when given the opportunity, perform their assigned tasks at a high level of competence. They easily establish rapport with those they serve. The contributions they can make in service programs are invaluable. I would urge the prompt enactment of the Older American Community Service Employment Act, not only for the opportunities and benefits that older adults would experience, but for the much more positive rewards that our Nation will receive as a result of our older adults talents being productively used in meaningful work assignments.

I want to thank you for granting me this opportunity to express my views on programs that affect our Nation's most precious commodity—its older adult population.

Senator HARTKE. You say in your statement so long as there exists a body of unemployed persons, the older unemployed worker is at a disadvantage in terms of the service he will receive. Why is that so?

Mr. Fox. I think it goes to the question of the bounty system that you raised. I prefer to call it the "brownie point system." Their budget is based on success in placements and jobs developed. And because it is more difficult and perhaps more time consuming to spend the efforts with an older worker, they automatically focus on those that are more readily placed. Thus, consequently, the older adult finds himself competing with all these other special interests and winds up at the bottom of the scale.

Senator HARTKE. It's your opinion that can never be satisfactorily corrected?

Mr. Fox. No. For two reasons.

One, older adults in many instances face a new situation. This matter of seeking out a job. Many have been employed for 30, 40 years and in today's system is not necessarily the system that was employed when they found work.

Second, in addition to that I don't believe that older adults can identify with the bureaucracy so that they can provide a meaningful service for them. I think one of the real factors behind the success that Mr. Fahey will be talking about had to do with the fact that older unemployed workers were able to identify with those that were serving them.

Senator HARTKE. Did you apply to the Department of Labor for a grant similar to the one—

Mr. Fox. We are going to receive it under the Older Americans Act, effective July 1. The one we had following the closing of Studebaker Corp. was from the Department of Labor.

Senator HARTKE. It seems to me the Department of Labor should be providing this type of basic service and grants of this kind. Do you agree with that?

Mr. Fox. It would seem so to me, precisely. I made that recommendation in other instances. I suggested at one time that Employment Security should be permitted to contract with private, nonprofit agencies, and I emphasize the nonprofit agencies. And there is legislation that permits them to do that. However, I believe that legislation that would mandate that they do that is necessary.

Senator HARTKE. Thank you. We'll turn to Professor Fahey.

**STATEMENT OF PROF. FRANK FAHEY, DIRECTOR, OFFICE FOR  
EDUCATIONAL RESEARCH, UNIVERSITY OF NOTRE DAME**

Professor FAHEY. My name is Frank Fahey. I teach at Notre Dame. I was a member of the rank and file at Studebaker for several years. I have a very close relative affected by the shutdown, and I was involved in the study of the shutdown—to determine what happened to the people who worked at Studebaker. I was also involved in a further study of Project ABLE, to see if it was accomplishing what it said it was going to do.

Now, in 1963 when Studebaker shut down very summarily, 8,300 people were employed by the corporation, and of that number 3,992 were 50 years of age or over. It was not only a terrible economic blow, but I think that the social harm that was done—the feeling of alienation, of hopelessness—was greatly increased among these people; and, that this was perhaps an even greater tragedy than the direct economic problems that they faced.

Very fortunately, when Studebaker shut down in South Bend, we were in a period of economic prosperity. If a shutdown would hit at a time such as today, I'm not quite sure if the results would be the same.

The successes that Project ABLE had, and that this community had, in recovering very rapidly are really very unbelievable in many ways. I think this is more a function of the economy of that time—where South Bend had an unemployment rate of 2.4 percent and Elkhart had full employment.

I made a very careful study regarding who got reemployed. And I controlled a number of variables of age, race, education, skill level, income, even political party and religion. Some people say these are important.

There were only two variables that were important in terms of predicting employment success. These were age and education. These two variables are highly correlated, so that almost all of the variance in getting reemployed can be attributed to age. The older worker was severely underemployed.

For example, by December 1964, only 24 percent of those over 50 were unemployed. This was approximately a year after the shutdown. But 4 months after the shutdown, 85 percent of those 60 and over were unemployed; 58 percent of those in the 50-to-59 age category were unemployed. And of those who were less than 35 years of age, 26 percent were unemployed, which is a tremendous difference.

UNEMPLOYED—DIRECT RATIO TO AGE

Senator HARTKE. Almost a direct ratio to the age.

Professor FAHEY. A linear progression; yes. And these are people who would have more skills, and in many ways would be more valued workers.

And what Project ABLE did was get across to employers that they can hire older workers and it's economically feasible for them to do so. And part of the problem was to indicate that they—employers—would not have to pay pensions for these older workers.

I'm not an expert on pensions, and I would sort of hate to get involved in that type of thing. I feel that if people retire, they should not be tied into a union pension plan or a company pension plan, but



it should be a general funded plan such as Social Security that will take care of the minimum needs of all people. Not just Studebaker workers, but farmers—

Senator HARTKE. You have heard of "Future Shock," the book, I'm sure. All through "Future Shock" they received quite a bit of attention; and, they emphatically declare that technological changes—which have caused a lot of the difficulty we have today—are going to occur with increased frequency. Greater frequency in the near future than it has in the past; and that the skills which are presently used are going to become obsolete. Therefore, the need for that person is going to be less and less. Do you agree with this observation?

Professor FAHEY. Very definitely. I had the opportunity recently to go through steel mills in the Gary area and to see the automated lines in these huge shops—on practically no labor there at all. It's certainly an indication that you don't need very many men to make steel.

So they are making more automobiles, more steel, with fewer men today. And I think that this is going to accelerate.

Senator HARTKE. One of the real things—

Professor FAHEY. You can depreciate capital goods. You cannot depreciate labor.

Senator HARTKE. There's an advantage to going ahead and automating and using the technological advances available. Do you have the feeling the opportunities are going to be less for everyone?

Professor FAHEY. Yes.

Senator HARTKE. According to your studies then, we can anticipate that the sharp focus of that disappointment is going to be related directly to the age that you are at the time you happen to be thrown out of work, or a plant closes?

Professor FAHEY. And the opportunity to be reemployed in an industrial setting will be very low because the expanding area of the economy is in the services.

Senator HARTKE. Professor Fahey, you have an excellent reputation in this field, and I want to commend you for the work you have done. I would hope you'd permit us to include some articles, which you referred to by reference, in our hearing.

#### STUDY ON PROJECT ABLE

Professor FAHEY. One of these things is I did the study on Project ABLE for the Department of Labor, and I'm sure nobody ever read it. I would like to present to you a copy of the evaluation of that project, and perhaps there may be some payoff. It is almost a manual on how programs should be set up to aid older workers in the event of a plant shutdown.

Senator HARTKE. We'll include this in by reference in the report<sup>1</sup> and I'll read it.

The difficulty I find in Washington, there just doesn't seem to be that concern. So it's a problem and they pass over it and forget it.

Mr. Fox. I always recall a statement that Mr. Harold Shepherd made when he came to South Bend at the request of President Johnson—at the time the plant was shut down. I read Dr. Shepherd's re-

<sup>1</sup> Followup study of Project ABLE, South Bend, Ind., by Frank J. Fahey, Ph. D., University of Notre Dame, a report for the Office of Manpower, Automation and Training, U.S. Department of Labor, final report Contract No. 82-13-31; retained in committee files.

port on his role as President Johnson's emissary to the community. He said the most difficult part of his entire experience was being able to translate the concern, the problem, the need for action back to Washington. It was very frustrating. He was unable to adequately communicate the situation the community of workers felt.

I would suggest that it's probably true today.

Senator HARTKE. This is what is so frustrating to me. When everyone is so anxious to help out the Wall Street merchants and guarantee them against failure, there was not the same eagerness to do something about pension plans. I'll keep on trying. I just refuse to capitulate. And I hope you will keep on trying, and I want to thank you both for the fine work you are doing.

Mr. Merton Bernstein is professor of law at the Ohio State University, Columbus, Ohio.

Professor BERNSTEIN. With your permission I would like to offer my prepared statement for the record.

Senator HARTKE. Your entire statement<sup>2</sup> will appear in the record, and you may summarize it.

#### STATEMENT OF MERTON BERNSTEIN, PROFESSOR OF LAW, OHIO STATE UNIVERSITY, COLUMBUS, OHIO

Professor BERNSTEIN. I'd like to start out by reading something I said—before I knew I was going to be here—in a speech that I gave in New York at a meeting of the council on employee benefits.

I said there—and I am not a politician, and I try to be a scholar.

Let me emphasize that Senator Javits, Hartke and Williams are deserving of admiration for their pioneering work in investigations and legislation concerning pensions. In a day when political courage is rare, their performances are most commendable.

Senator HARTKE. I want to thank you for that, sir.

Professor BERNSTEIN. It's terribly important to recognize the plight of American workers who are facing retirement or death before retirement—and all of them are eventually—and their families are facing the problem of making a go of it when the wage earner dies either before or after retirement. We are faced with a new body of forgotten men and women whose plight has simply not been understood. Hearings of this sort are a great public service because I am persuaded that when the American people come to understand the dimensions of the problem and the nature of the problem, that remedial legislation will become more possible.

The fact of the matter is that the entire population, working population—most people work—need private pensions that they can count on. But they cannot afford private pensions that do not pay off. We can't afford the \$3 billion in tax subsidy that go for private pension plans of that sort every year. We can even less afford to be lulled into failing to make other adequate provisions for retirement, death and disability of wage and salary workers.

I think that the people of the United States have been sold a bill of goods—and a false bill of goods—on what private pension plans can do and what they will do.

<sup>2</sup> See appendix 1, p. 53.

We have fantastic material prosperity in this country, and yet the fact remains that the bulk of the working population, when it comes to retirement, will be on the skids. They'll not be able to maintain former living standards; and, the older they get, the worse off they'll be.

Private pension plans could—private pension plans properly designed should—provide broad scale supplementation. They now are designed to pay off to a minority of workers, and those in that minority are already those who are best off, who have the best jobs and the greater continuity of employment.

I don't think it makes good public policy to subsidize plans which are designed to work in that fashion.

#### SENATE LABOR COMMITTEE PENSION STUDY

In late March, Senator Javits and Senator Williams made public the preliminary results of a study of the actual operation of 87 plans over the last 20 years. That study showed that a tiny minority, a comparative handful of people who had been separated from pension covered jobs actually achieved pension eligibility. And I'd like to emphasize here that that Senate Labor Committee study dealt with the very best plans, the plans that lasted 20 years.

The Studebaker plan didn't last 20 years. And that study shows the best, the very best performance. And it was not with the subpoenaed material, it was material voluntarily supplied, and I dare say that employers whose plans had even less admirable results were not too willing to make data available.

#### MISREPRESENTATION ABOUT RETIREES BENEFITS

The pension apologists are seeking to offset the disclosures of that study with a misrepresentation. They point to a study released recently by the Social Security Administration, and they claim that study shows that 50 percent, half the new retirees under Social Security have private pension eligibility. I want to state here in measured terms that that is a blatant, flagrant misrepresentation of the figures. The figures actually show that half the men who retire at age 65 and do not continue to work have a second pension. Some of those second pensions, however, are provided by railroad retirement, Federal, State and local government pension plans. The actual figures show that of all those who are eligible to retire in the period covered by the study, 30 percent of the men had private pension coverage or expectations, and if you include women—and, ladies, pensions plans are not designed for you today—that eligibility would undoubtedly go below 20 percent of the newly entitled retirees.

A lot of people cannot afford to retire. We have heard that here today. And the national statistics show that is true. There are some people who must retire because they are disabled. Not totally disabled, but disabled from doing work in the market. There are other people who, if they have the choice, cannot afford to retire because these Social Security benefits are inadequate and they don't have any supplementation either from their own savings or from a supplemental private plan.

## UNIVERSAL SUPPLEMENTATION REQUIRED

I think that what we need is a system which provides that supplementation across the board. And if the private pension people, those who design and sell and administer plans, cannot come up with plans that do that job, then we ought to look elsewhere for that supplementation.

Pension apologists attempt to claim that those who lose out on pension eligibility are young kids, the flighty people who take early jobs and then float around and go elsewhere. I think the hearings here today document anew what can be documented again, and again, and again, that this is not so. Mature workers, who are very often highly skilled, are separated by the hundreds of thousands from pension covered jobs and they are not flighty youngsters. They are people in their 40's and 50's and the data in my prepared testimony gives precise figures on how widespread this phenomenon is.

But the pension apologists say these people, when they leave pension-covered jobs may not qualify under the pension plans they have participated in, but they will get pension-covered jobs elsewhere.

These hearings have documented anew that is not the case. A very large percentage of people do not achieve pension-covered jobs. And, indeed, people separated from jobs in their 30's, 40's and even more in their 50's go down the scale of skill and status and they take lower-paid jobs, and they take jobs that do not have pension coverage. It is cruelty to beguile people into believing that the private pensions will pay off as advertised. They do not do so, and it seems to me a very large job of reform is required.

A great deal of attention has been given to the Studebaker shutdown, and rightly so. It was a major failure of pension design. But let me say here unequivocally that kind of failure is built into the system. It just didn't happen. The way private pensions are designed, it assumes two unrealistic things (1) the companies will continue for 30, 40, 50 years, and we know that's not true. And it assumes that people will be able to work at one job for 20, 30, 40 years, and have the age requirements that are currently required. And that is not true.

Jobs are just not designed in that way. Studebaker was bad, but the Packard shutdown, and it was the Packard-Studebaker Corp. for a while, the Detroit Packard shutdown was worse. It occurred in 1958 and the actual study of what happened to people there indicated that the great majority of those people over 40 who had worked at Detroit Packard did not get pension-covered jobs. The great majority of people who worked in the aerospace industry have experienced shutdown after shutdown. The Boeing shutdown is not something new. The Lockheed crisis is not something new. In 1954 the aerospace industry employed 800,000 people. Five years later the aerospace industry employed 61,000 people.

Now, that is an area where pension plans which require 10, 15, 20 years of service is highly concentrated. It was just a physical impossibility for a substantial group of workers in the aerospace industry to qualify for private pensions.

## PACE OF PENSION IMPROVEMENT

You may recall, Senator, that in the 1944 political campaign it became known that Governor Dewey was taking voice lessons, and an

enterprising reporter found his instructor, and the instructor said that he really wasn't doing very much for him. He said; "Governor Dewey is a very good speaker—but he'll get better." I have a feeling then, and the question for pensions now, is, are they getting better enough?

The claims are made that although pension plans have been deficient in the past, that they will improve markedly.

Let me deal with just a few points very quickly. It is common today for public discussions to deal with private pension plans as if they cover anywhere from 28 to 34 million people. The claim is made that they cover one-half the nonfarm private work force. I don't know where that figure comes from. I do know that when in 1969 the Department of Labor counted how many people were under plans that had filed reports, they could only find 19½ million participants. My question is, where are the other 10 million? Where are the other 15 million?

The extent of coverage is extremely important as we found out under Social Security. Until 1950, Social Security covered only half the work population. It had a very bad effect on the amount of credits people earned. If only 19½ or 20 million people instead of 30 million or more have private pension coverage, then obviously the chances of their achieving pension eligibility is severely diminished.

I think we really ought to talk about what the evidence is. I have asked the people who put out the estimates, and frankly they haven't given me a satisfactory answer, or where are the other 10 or 15 million people supposedly under private pension plans? The growth of private pension coverage was supposed to have been moving along so that it was predicted in 1965, based on a 1963 base of supposedly 23 million plan participants, that by 1980, 63 percent of the working population, nonfarm, private working population, would be under plans.

To make a long story short, that projected growth has been going along at half the projected rate—worse than half. So the claims of improvements in private pension coverage simply do not hold up.

Participation requirements have not been markedly liberalized. Today more than 4 million plan participants have to serve anywhere from 1 to 5 years before they can begin to accumulate pension credits, and in addition, they frequently have to be above 30 years old, which means that what looks like a 10- or 15-year vesting provision is, in fact a 20-year vesting provision. These participation requirements also cut down the size of pension that the eligibles would achieve, because they have fewer years of credited service.

Vesting is one of the major points, and pension apologists claim that vesting is getting better all the time, that the right to a pension for those who are separated from their jobs has been enhanced very markedly over the last 20 years.

Let me read you what the director of group annuities of one of our largest insurance companies—and I won't name it because I don't want to single out any one outfit—what he said:

I don't think there is any feature in a plan that gives you more good for the money it costs than vesting, providing you set the vesting at a point where it doesn't cost you anything. And that is what you can do. With a typical type of vesting after 15 to 20 years of service and the payment at age 40 or 45, the turnover is so negligible thereafter that the cost is merely the absence of refunds you would otherwise get.

He then was describing the vesting provisions that apply in about half the plans with vesting coverage today.

I don't know how widely shared that cynical view is, but I do know that the kind of provisions that he was talking about are those that are in common use today, and that vesting more liberal than 10 years of service is practically unknown.

The United Auto Workers has provided great leadership in this area. It pioneered the change from 5 to 10 years vesting and the elimination of age requirements. But the fact of the matter is that although in Studebaker you had a very high seniority group affected in plant after plant after plant, company after company after company, the majority of people simply cannot get 10 and 15 and 20 years vesting requirements.

The protection afforded by vesting requirements in common use is illusory in a large number of cases. And it is particularly illusory in the case of women, because most women do not work with sufficient continuity of employment. The figures that I present that are based upon an actual study of how long people were at work at their current jobs: fully half of those employed under age 55 would receive no protection from the vesting provision most commonly in use.

#### BASIC PLAN REDESIGN REQUIRED

What I believe we need is not some tinkering with some private pension plans, but we need a basic redesign so that every year of work results in effective pension credits. I used to think that those who were concerned with pension plans and insurance and banking and industry would recognize that it was in their own interest to provide pension plans of this sort, and I advocated that they be left to their own devices to do it. They simply have not done so, and I'm now persuaded that unless the law makes them do so, it will never be done.

It is common to say that vesting after 1 year is much too costly. To this I would suggest there are two answers. If the private pension industry cannot design plans and put them into operation that are adequate, then they ought to make way for some system that can. I think they can if they were enterprising enough and if they were to do so, the last employer would not have to bear the full cost of private pension plan coverage. We all know that employers don't look at the over-the-life cost of anything. What they look at is the unit cost. What does it cost to produce  $x$  units of service or goods? For any given level of pension plans, if workers could earn effective credits for every year, most every year of their working life, the unit cost would be much lower than it is today. It would require that more companies have pension coverage.

The fact is that there are tremendous numbers of small and medium-sized employers—and that goes up to groups with 300 to 500 employees—that do not have plans. Even in the steel industry. A very high percentage of companies do not have plans because of installation costs. It is just too costly to hire lawyers, actuaries, and consultants and too costly in time to become educated about the many intricacies of plans.

#### A NATIONAL PENSION CLEARINGHOUSE

What we need, I suggest, is essential plans into which all companies could voluntarily purchase coverage for their employees. There need

be no overhead costs. It would work essentially the way Social Security does. And every unit of coverage would be vested in the employees. They wouldn't have to carry it anywhere. It would stay put in a central fund. I think a National Pension Clearinghouse could also provide the basis by which people who leave pension-covered jobs could take the value of the pension benefits that they have earned from all of their jobs and accumulate them in a pension in a central pension clearinghouse. And that's terribly important.

Let's assume a man is lucky enough to earn 10 years of vested credits. Let's assume he is separated from a job at age 45 and that he retires anywhere between age 62 and 65. The vested pension credits benefits are calculated according to the formula in effect at the time he's separated from his job. Erosion by inflation over the 17 to 20 years between the time he leaves the pension-covered job and the time he retires would be just tremendous. Meanwhile, people who are left behind, who stay on the job see the value of their credits earning additional money because they are participants in the growth of the economy and luckily we have an economy that is capable of growth. It hasn't been growing at the rate it should, but it's capable of enormous growth, as we have seen.

Also it seems to me that pension reform requires mandatory rapid funding of past service credits. It constantly amazes people that the Internal Revenue Service is not interested in rapid funding of private pension plans. It is concerned that pension funding will be too rapid. And the reason for that is that they are worried about how much money gets collected in taxes. They have not been excessively worried so far as I can tell, about what happens to the pension rights of employees.

Now, the Studebaker fund had mandatory provisions for 30 years of funding of past service credits. That was one of the best plans going. There are many plans that do not have provisions of that sort. Legislative proposals that are now before Congress would not improve on that rate of funding.

Under Internal Revenue Service rules and regulations, it is possible for an employer to operate a plan and pay no more into the fund than the interest on the unfunded past service liability in addition to current costs. Now, that's not too readily understandable but what he means, he doesn't want to put in the money he owes. Under the law, all he need do is put in the interest on the money to fund the payments for the past service.

Senator: that is a scandalous situation because it means that those past service credits can evaporate. The money will not be there to pay off. And under current law, a company's general assets are not available for the satisfaction of pension credits. Only what had to be paid into the fund is reachable by those, even those with vested credits, as the people here today who used to be at Studebaker found out.

#### FIDUCIARY STANDARDS

In addition, it seems to me that pension reform requires high fiduciary standards for all union, management, and administrative officials who make pension plan decisions affecting employee interests. Because the fact of the matter is that the use of money, as we know, is a very valuable thing. And many employers and some union officials,

some bank officials are not too careful, or at least when they operate plans, they consult their own interests first and the interest of potential beneficiaries second.

Let me read a letter to you that I received from a man I don't know. I won't identify him by name because he didn't give me permission to do so. But he's the counsel for the trust division of a west coast major bank.

In recent years I have had occasion to witness the tragic dissipation of pension trust funds through insolvency and through the petty foolishness of trustees. . . . In most cases even workers with vested rights are unable or unwilling to take steps to protect their interests. This is true of corporate funds as well as labor union funds. This terrible waste and outright deceit is a national disgrace.

This is from a banker. And he goes on in that vein.

It is possible under the law for a company to take large amounts from the pension fund and purchase the stock of companies that it would like to acquire as subsidiaries. It is possible under present law for a company to give a plant to the pension fund as a contribution and then lease it back to the company. It is possible for innumerable dealings to take place between pension plans and employers, unions and administrators. In many of those situations the interests of the employee beneficiaries are not placed first, and they ought to be.

#### CONCLUSION

Comprehensive pension reform requires a statute that, at the least:

1. Makes early vesting—at 1 year of service—compulsory;
2. Enables establishment of one National Pension Clearing House, under private auspices if they are available, under public auspices if private initiative is lacking to, (a) Provide a national pension plan for employees of small companies; (b) Provide a central plan to which to transfer the value of vested credits of separated employees;
3. Makes mandatory rapid funding of past service credits;
4. Establishes high fiduciary standards for all union, management, and administrative officials who make pension plan decisions affecting employee interests;
5. Prohibits all dealings between plans and employers, unions and administrators.

It seems to me that these protected features are an absolute minimum if private pension plans are to be made reliable, efficient, and fair. And if a program of this sort cannot be enacted, and very soon, it would seem to me that private pension plans would no longer warrant the subsidies now received from the taxpayers.

Senator HARTKE. Thank you, Professor Bernstein.

On November 28 the White House Conference on Aging is scheduled to be held and our observations and preparations are being made for that conference. Do you think they'll grapple realistically with the question of this pension issue?

Professor BERNSTEIN. Well, I don't know how significant it is that I haven't been invited to participate.

Senator HARTKE. You haven't been invited?

Professor BERNSTEIN. No, I have not been. Considering the fact that I am one of the most outspoken critics of the private pension, I would suppose that not a great deal of attention is going to be given to this



problem. I think that's very unfortunate. Unless there is real attention being given to the problem of pension plans, which means the problems of people who believe that they have pension potentialities, unless real attention is given to these problems, remedial action will not be taken. So far as I can tell, there is no interest on the part of those organizing in the White House Conference to give any look at all to this problem. I suppose some attention would be given to it. But I've had no indication that any attention is going to be paid to the kind of information your committee has been gathering over the last several years.

Senator HARTKE: Professor Bernstein, I think you answered the question of very much interest to a lot of people here who used to work at Studebaker when you made the statement that the general assets of a corporation ordinarily are not available to pay pension claims, even of a going concern.

Professor BERNSTEIN: That's right.

Senator HARTKE: Let alone one which ceases to operate, as happened in the case of Studebaker.

In other words, it doesn't make any difference how rich they were or how much money they have left in any other part of their corporate account. Even if it was cash, they could have a lot of cash, but if it was not in the fund specifically designated and there was not a vested interest, there's no chance of touching those assets.

Professor BERNSTEIN: There would be only if they hadn't made contributions that were due.

Senator HARTKE: If they hadn't made legal contributions?

Professor BERNSTEIN: But those requirements, as I have indicated, the legal requirements for contributions are very slight. "Interest only funding" is equivalent to no funding at all. And very often under negotiated plans, funding is not specified.

The United Auto Workers have been among the few unions that has insisted upon mandatory funding and 30-year funding, I must say. While it's better than most, it really isn't good enough.

Senator HARTKE: I think you have made a very valuable contribution. Thank you very much.

The next witness is Mr. Clifford M. MacMillan, former vice president, Industrial Relations, Studebaker Corp.

#### STATEMENT OF CLIFFORD M. MacMILLAN, FORMER VICE PRESIDENT, INDUSTRIAL RELATIONS, STUDEBAKER, CORP.

Mr. MacMILLAN. Senator Hartke, ladies and gentlemen, I would like to make it clear that I do not represent the Studebaker Corp., that I do not speak in any way for the corporation. I'm here merely as a private citizen and as the person who has some knowledge of the Studebaker pension plan.

My purpose is to make clear what occurred under the plan. It is not to defend the plan; it is not to defend the corporation; it is not to influence the corporation in any future things it may do. I no longer have that influence. I'm here only as a citizen in an attempt to help Senator Hartke and his committee.

It's very obvious that many people look to the Studebaker situation as a place where lessons can be learned, where things that may have

gone wrong there can be identified and corrected action can be taken. But in order for us to do this, we must know factually and objectively what really happened. And that is my purpose here.

Some of this information Mr. Fox has already presented to you. At the risk of being repetitious, I'll cover some few things that he has.

Studebaker-UAW pension plan became effective on November 1, 1950, as a result of a collective-bargaining agreement between the UAW-CIO, its local 5 and the company. It was terminated by agreement between the parties on November 1, 1964. The reason for its termination was that the Studebaker Corp. had been forced by economic necessity to discontinue its automotive manufacturing in the United States—which resulted in the termination of its employees engaged in that endeavor at South Bend, Ind.

The announcement of the corporation's intention to discontinue manufacturing in South Bend was made on December 9, 1963, and by the end of 1964 all but a handful of employees covered by the pension plan had been terminated.

During the 14 years the plant was in existence, it accumulated assets of \$37,906,093.26. It provided for pensions for 4,626 persons and it paid out \$2,447,931.08 to 4,080 former employees not eligible for retirement. The effective date of the original hourly pension plan was November 1, 1950.

#### CHARACTERISTICS OF THE PLAN

At age 65 normal retirement, 10 years credited service, \$1.50 per month per year, maximum 30 years of credited service. The minimum was \$4 times 25 years less Social Security. Early retirement was 60, 10 years of credited service, reduced by six-tenths of 1 percent for each month less than 65. There was an early retirement at company option which was later removed.

Automatic retirement for that age, 68, effective on January 1, 1952.

There was a total permanent disability at age 50, with 15 years of accredited service, which provided \$3 per month per year, maximum 30 years.

This plan was changed in successive negotiations. It was changed on June 1, 1953; September 1, 1955; and September 1, 1959. Also on December 1, 1961, and I won't go through it all. I'll present this to you. I won't go through the changes except to describe the plan as it existed when the termination occurred.

At this point the benefits, \$2.50 per month for all years accredited service. Total permanent disability eligibility was 10 years of credited service. A survivorship option had been added and for this the pension was to be reduced by 10 percent if the same age and further reduced by 0.5 or 1 percent for each year the wife was younger. The vesting included all time worked.

The termination agreement was dated October 15, 1964. This agreement between the union and the company was in effect an implementation by which the pension plan was terminated and the funds distributed in accordance with these provisions. I think it is significant to note that provisions for the termination of the plan were in the plan from the first time that it was negotiated. This was not something that was put together at the last moment. But this plan was a Chinese

copy of the automotive plans. It differed very little from General Motors, Chrysler, Ford, American Motors plans.

#### NO LIABILITY BEYOND PENSION FUND

The plan did not—there was no agreement that the company would provide pensions. The agreement was that the company would make contributions to a pension fund which would provide the pensions. And so the company did not at any time accumulate liability beyond that of the pension fund.

The termination agreement had the required approvals by the Internal Revenue Service.

The company contributions ceased as of October 30, 1964. However, the plan continued through November 1, 1964. Applicants for pension had to attain 60 by November of 1964, but had until November 1, 1965, to apply for pension. Former employees with vested right who terminated prior to November 1, 1961 were eligible for pension benefits only if they attained age 65 by November 1, 1961.

Applicants for total permanent disability pension had to be disabled prior to November 1, 1964 and make proper application by December 1, 1964 to qualify.

Annuities were to be purchased for those drawing pension benefits. These annuities were to assure their pension for their lifetime. This was at a cost of \$21,555,000 from the pension fund. The assets of the pension fund after their purchase of the annuities was to be distributed in keeping with the provisions of the pension plan to employees. But with vested rights such individuals had to be between the ages of 40 and 60 by November 1, 1964, and had to make application for such distribution by November 1, 1965.

After purchase of annuities those on disability pensions were not to have the pension reduced even though they received security payments until their 61st birthday.

Distribution notices were sent to about 4,550 people between the ages of 40 and 60 who were eligible for lump sums. There was quite an intensive effort put out by the company and the union in order to locate people who had quit.

About a month before the time limit expired, we still had some 115 people that we were unable to locate. But by going to the news media and pointing out the problem, the humanities involved, we succeeded in locating all but 13 individuals. There are 13 people that we haven't heard from yet.

You've heard some comment here on the financial administration of the plan, from Dr. Bernstein and from others. From the start of the pension plan, the financial management of the fund was in the jurisdiction of the trustee, the Chase Manhattan Bank. The parties had indicated that the funds be invested only in bonds, Government Securities, and stocks on the legal list.

A Joint Pension Committee, union and company, was named in the pension plan to confirm the eligibility of the employee, the pension service, and to authorize the trustee to commence pension payment.

There was a restriction against any of the pension funds being invested in Studebaker stock, and I think this could be a controversial thing as far as legislation is concerned. It certainly would make the hazards that Dr. Bernstein has talked about, less evident.

On the other hand, it might bar a pension fund from participating in a tremendous growth of a properly managed company.

In conclusion, until the pension plan came into existence, the Studebaker hourly employees had not been covered by a pension plan. The significance was the fact that the plan provided years of vesting for past service. Thus older employees' contingent right of cash value was secured.

Conversely, for Studebaker Corp., a contingent liability was suddenly created based on past operations, but not provided for by them. Studebaker had a large number of long-service employees at this time. Funding for past service was planned over a 30-year period, and the life of the pension plan was not sufficient for the past service to be entirely provided for.

Exhibit No. 1, attached, set forth by year the total employees retired under the plan, the total receiving pensions, the amount of pensions paid, and contributions made by the company. It also reflects the termination agreement. This is the chart that shows—

Senator HARTKE. That will all appear in the record.\*

Mr. MACMILLAN. It's not my purpose to be defensive and to take offense, and I'm sure I may get some questions.

I'd like to point out Studebaker made substantial contributions to the pension plan during the years when its losses were substantial. Some of these contributions were almost \$5 million a year. While there may be faults in the plan, certainly without the plan some 8,000 would not have had anything.

Senator HARTKE. I think, Mr. MacMillan, it's quite evident to you that there is in South Bend quite a deep bitterness about the pension plan and what is the effect of it.

Is this the failure to communicate to these people? What is the reason for that?

Mr. MACMILLAN. I think that I would have to say that it is the difficulty of the rank-and-file people to understand just what is involved in pension arrangements such as we had at Studebaker. I know that we had attempted to fully inform people. I know that the Union Bargaining Committee has, too. But I think that it's very difficult to understand, regardless of the type of communication, and people really don't want to understand sometimes things that are negative to them.

I'm sure there are many people in this room that feel that they were pledged pensions, and that these pensions should be paid. I'm sure this feeling exists.

Senator HARTKE. You said, Mr. MacMillan, some mistakes were made. What do you consider the worst mistake made in the plan?

#### WORST MISTAKE OF PLAN

Mr. MACMILLAN. I think the worst mistake made in the plan—and you must understand when we talk of the plan, we are not talking about unilateral action, we are talking about the company and union taking different positions and finally coming to some middle ground of agreement.

I think the acceleration of benefits and so forth. Let me illustrate this in a rather homely way.

\*See appendix 1, p. 62.

There is an old puzzle, that we give children, about the frog jumping out of the well. The well is 30 feet deep, and he jumps up 3 feet and slides back 2. How many times does he have to jump up to get over the edge of the well?

About five times during the life of the agreement the benefits were increased, and the past service liabilities were increased. Had this not been done, I think that there would have been more beneficiaries under the plan. The money would have gone further, but there would have been less for the people that came out on top.

Another thing is the difference between the trustee-type plan which is really an insurance thing—it's predicated on the fact that only a few houses will burn down, and you won't have a debacle where all houses burn down—as against a type of plan where annuities are purchased every year on behalf of individuals.

And also, I'm not too sure that the contributory plans do not have some merit. Now, the money part of this, of course, is that if an employee makes a contribution, he's paying after-tax dollars out of his own pocket. While if the company makes a contribution for him, on his behalf, it takes it as a business expense, and there's a significant difference as to the employee where the company makes a contribution. The company puts in a dollar for the employee, it's putting in what might cost him \$1.20 or \$1.25 because of the tax thing. But where you have a plan, and this is difficult with plant service, but where you have a plan where each contribution is earmarked for Senator Hartke, or Mr. Oriol, or whoever, then this sort of thing is not a quick payoff. It doesn't have the advantages of the trust type with good financial management. It doesn't have the growth potential because the profit in handling the money is creamed by the insurance company. This plan—you know the company contribution was on the order of \$30 million, and during the life of the plan the assets were \$7 million more—was a result of investing therein sums of money over a period of time under, apparently, what was fairly wise investment policy.

Senator HARTKE. I want to thank you, Mr. MacMillan;

Miss Helen Madick has requested to be heard.

#### STATEMENT OF HELEN MADICK, SOUTH BEND

Miss MADICK. I was at Studebaker for 32 years. I have three or four questions to ask.

First I want to say I'm very disappointed in our UAW. We were pioneers in equal rights for women. I stand against women's lib. I'm satisfied to be female. Yet one woman was up on that roster to represent the Studebaker union. I just finished paying up a policy at 48 cents a week for 30 years. I've got a \$500 paid-up policy. I paid Studebaker insurance premiums for 32 years. I've got nothing.

Everybody in this room that worked for Studebaker knows when we were laid off, the first paycheck, when we returned to work, out of our first paycheck all the premiums for the insurance were taken, for your back insurance. Yet we got nothing. Not even a measly \$100 policy.

At one time there was a conference at Notre Dame and the late Mr. Walter Reuther was there to give a speech. He expounded at great length on Studebaker-UAW, the birth of UAW. It was in South

Bend, Ind. He was the midwife. Unfortunately when he died he was not the mortician. There was nobody from the UAW to help us.

Then another thing, this population bit, the census shows that our population has dropped in South Bend. What happened to the population? We still haven't come up to the old level.

One more thing, when Studebaker closed down, they were, I guess—there was a grant for Notre Dame to conduct a survey in three sections. They called out 1,000 lucky people from the Studebaker hoard. I happened to be one of the lucky ones, and they were going to interview us in three segments. I don't know what the vast sum was they got at Notre Dame. Three segments. They were going to come and interview us the day the place closed; 6 months later, to see how we adjusted; and 1 year later—to see what finally came out of the whole thing.

#### TOO YOUNG—TOO OLD BRACKET

Unfortunately, I happened to be in the bracket of 50 years when they closed, too young to retire and too old to rehire.

I believe that was the phrase you were looking for.

When I came back from California—where I had to go for a job—and called Notre Dame and asked why they didn't consult me on the third survey, they said, "Oh, we ran out of money and we scrapped it." Scrapped because they ran out of money—\$150,000—to interview 1,000 people. What did they find out? All it cost them was \$16,000. Each person was given \$8 for 45 minutes. They interviewed 1,000 people. I don't know what happened. Nobody knows what the survey was about.

I've got one more question to ask. And maybe I'll die as Mr. MacMillan said, not quite so bitter. I'd like to know—

Senator HARTKE. If you'll wait just a minute. Can I find out from Mr. Fox?

Mr. Fox. I was not aware there was a survey.<sup>1</sup>

Senator HARTKE. We'll try to find out for you.

Miss MADICK. I talked to Professor Wing—anybody read his article in the paper 2 weeks ago? I talked to him for 2 hours. He was appalled to find out we didn't have a pension. He asked me, "How were you notified that the plant was leaving?" And when I told him we heard it on that beautiful December 13, 1963, on the 12 o'clock news from New York City that Studebaker was closing, he called me a liar. He said, "That's not possible." I said, "I'm sorry sir, that is how we were informed that we were dying."

I would like to ask—I see Mr. Frick isn't here—perhaps Mr. Fox could answer me. I would like to know, so that I could die peacefully, did anybody in the Studebaker Local No. 5 UAW know before December 13 that we were closing?

Mr. Fox. I'd like to respond to that question. I had an opportunity—with all the fellow officers—to journey to New York City where we were advised there would be a substantial announcement made by the corporation. It was at that date—either December 8 or 9—they announced it publicly that the plant was closing. We heard it the same as the rest of the country heard it at that moment.

<sup>1</sup> See appendix 1, p. 62.

Senator HARTKE. I know these are questions which you are deeply concerned about.

Miss MADICK. Whether we believe it—

Senator HARTKE. The only problem is that this is not exactly what we are trying to get at at this moment. We had another group that wanted to be heard on family assistance planning. There's no question about it. That we can only cover so many things at one time. This is dealing with the pensions. If you can keep your questions, your comments dealing with the question of pensions, I would appreciate it.

Miss MADICK. I'm finished. I just wanted to know. These things have been bothering me. I think the survey that expended an awful lot of money is worth looking into.

Senator HARTKE. I don't know who spent the money.

A VOICE. I think this has all been men. How about a few women saying something?

A VOICE. I back her up.

A VOICE. If you want to know why industry—

Senator HARTKE. We'll have some hearings in the future, and I assure you that you will be invited.

Miss BERNOWSKI. My name is Eleanor Bernowski. The reason so much industry has left this town is our city taxes. You know that we are just being eaten up with them. That's one of the reasons a lot of industry has left this town. They can't afford the taxes.

Senator HARTKE. I'm not responsible for that, thank goodness.

A VOICE. Could you live—

Senator HARTKE. What is your name?

Mrs. POFEE. Could you live on that amount of money?

Senator HARTKE. I understand. I've been fighting this battle for you.

A VOICE. I have 20 more years for retirement. But I feel for these people.

Senator HARTKE. I do, too.

A VOICE. They have to pay taxes and they have to eat and maintain a home. Of course, they don't drive any Cadillacs, but God love them, if they can drive a car.

A VOICE. I have been here many, many years. I'm somewhat concerned. I'd like to ask you who determined the makeup of the people who testified this morning? I would hope that someplace along the line—and I agree with many things that have been said—I would think that someplace along the line before any determination is made, before we beat the private system to death, we should give it the opportunity to speak back to you.

Senator HARTKE. Let me point out to you that we can have that evidence submitted in Washington very easily. And this hearing can be held in Washington, and let me assure you that we are not going to lock anybody out.

These people here with me have all been in your hearings, too. The private pension people will have a chance to come in.

But I think that, in conclusion, we can say that something is very bad at the present time with the pension system in America. And it's leaving a lot of false impressions, a lot of broken hearts, and a lot of poor people who are ending up on the welfare rolls.

I said about the present welfare system there are only two groups

who are really against it. The taxpayer and the ones receiving the checks. We've got to reform the present welfare system; and we've got to find out what puts people on welfare. When a person goes ahead and is expected to live on a 75-percent paycut—on the day he gets to be 65 years plus 1 day he cuts his income down by 75 percent. You can understand why some of them are forced back on welfare.

And before we beat the welfare horse to death, we ought to look at some of the causes of that, too.

I'm personally less concerned with finding fault with people than I am with finding solutions for the problems. At the present time I find people who say, "don't point the finger of fault at anyone and for God's sake, don't try to solve the problem because somebody might get upset."

I think it's high time somebody gets upset. Let me say to those people who have been upset here; if you have something to say, write it out.\* I'll be coming back for another hearing.

The subcommittee is in recess, subject to the call of the Chair.

(Whereupon, at 12:30 p.m., the subcommittee was recessed, to reconvene at the call of the Chair.)

\*See appendix 2, p. 65.



# APPENDICES

## Appendix 1

### ADDITIONAL MATERIAL FROM WITNESSES

#### ITEM 1—PREPARED STATEMENT OF MERTON C. BERNSTEIN\*

##### THE NECESSITY OF BASIC PRIVATE PENSION REFORM

The working population and their families *need* private pensions that they can count on. Private pensions that pay off only to a minority of former employees are a luxury we cannot afford. We cannot afford the \$3 billion tax burden they now shift to the rest of the taxpayers. Even less can we afford to be lulled into failing to make adequate preparation for retirement, death and disability of wage and salary earners.

Most of the population can rely upon the Social Security system in the event of the retirement, death or disability of an employed adult. Despite remarkable improvements in coverage and benefits over the past 20 years, Social Security benefits do not enable former employees and their families to maintain former living standards. Indeed, for many the problem is to avoid sinking into poverty.

Our nation enjoys unprecedented material prosperity. Our supermarkets and discount stores bulge with imported wines and cheese, golf carts and gazebos. It doesn't make sense that retirement or the death of a family's principal wage earner should put that family on the skids toward poverty or, at best, a substantial slide in living standards. Individual savings do not bridge the gap between pre- and post-retirement ways of life.

Companies receive substantial tax benefits to make it advantageous to establish private group employees pension plans. That assist costs the nation's taxpayers some \$3 billion a year. The millions who normally participate in such plans but do not qualify for benefits in effect transfer part of their earnings to those who do qualify for benefits. (In all likelihood the ones who don't qualify—those with interrupted employment—need the income and the pension benefits more than those with the continuity of employment to qualify for benefits.) The public is just beginning to understand that tens of millions pay—in taxes and wages—so that a minority can collect. I don't think they are finding those transfers fair or justifiable.

What *all* employees and their families need are supplements to Social Security which can be relied upon—in case of long term disability, in case of the wage earner's death before *and* after retirement, in case of retirement. We do not have pension plans like that today.

What we have today are plans that are *designed* to pay off to a minority of plan participants. Indeed, they are designed to pay off to those who earn the most and enjoy the most secure jobs. It is very questionable public policy to subsidize such plans.

#### THE BATTLE OF THE REPORTS—THE PERCENTAGE OF PENSIONERS AND PENSION LOSSES

##### (a) *The Williams-Javits data*

In late March, Senators Williams and Javits released preliminary data from a Senate Labor Committee Study of the actual operation of some pension plans during the past 20 years. It showed that an enormous percentage of plan participants were separated from their jobs with no effective pension credits to show for having been in them.

\*See statement on p. 38.

Some pension apologists respond that the study does not show whether those separated employees lucked into pension eligibility elsewhere. (I deal with that below.)

The Senate Labor Committee study was quite conservatively designed by taking plans that had been in operation prior to 1950 and were still in operation in 1969, the very best, the most stable plans of the most stable companies were chosen. The findings did not deal with terminated plans nor plans absorbed into new employer entities. Moreover, they reported data willingly supplied by employers. It would seem likely that employers with even more dreadful plan performance were not eager to make the information available.

*(b) The HEW new beneficiary study*

The latest chorus raised in defense of private plan performance relies on another set of "preliminary findings"—these from Social Security's latest "Survey of New Beneficiaries" (Report No. 2, Retirement Patterns of Men at OASDHI Entitlement," March 1971). In the American Pension Conference version of May 13, 1971 the claim is: "If there is any remaining doubt that private pension plans are a lot more than 'phantoms' the latest HEW Survey of New Social Security Beneficiaries set it to rest. According to this data for the newly entitled male beneficiaries (wage and salary workers) 51.0% also had private pension coverage. 'About half the retired are receiving pensions'. Interestingly, this corresponds closely to the 50% of employees covered by private pension plans today." Let me be precise: this is a flagrant misstatement of the Survey report and it is being used by others to imply that half of all new Social Security retirees receive private pension benefits.

In fact, the report shows that the men newly entitled to Social Security during the first 6 months of 1969, about half of those who retired completely had second pensions consisting of private pensions and railroad retirement benefits (a public program), and military, state, local and Federal civilian employee pensions. Private pensions were being received by 38% (a bit more than a third) of the fully retired. (See Attachment 1.) Of the entire group of men newly entitled, 20% were receiving private pensions. If one adds all who expect to receive a pension from their current job, the percentage of private pension entitlement for men zooms to—not quite 30%. (These totals should include all vested benefit entitlement.)

Please note—these figures are for men only. Given the shorter tenure of women, their larger proportions in non-pension covered jobs, the percentage of OASDHI newly qualified persons drawing private plan benefits would drop precipitously—probably well below 20%

Private plan benefit receipt in the group studied was associated most closely with entitlement with full benefit status (i.e. at age 65 rather than at earlier age) and full retirement. The occupational groups with the largest percentages in these categories were men who had been in the professional, technical and managerial ranks. In other words, those with the best paying jobs had a better chance for private plan benefits.

ANOTHER PENSION PLAN MYTH—EMPLOYEES WHO LOSE OUT UNDER ONE PLAN  
QUALIFY UNDER ANOTHER

The classic response to examples of plans which pay off to a minority of participants goes like this: the losers are younger, restless, short term employees and the winners are older, stable employees who stay put until retirement age. I have yet to see any documentation of that defense. Not only is it entirely suppositious, it does not square with either logic or the observable facts of life.

In 1954, the aircraft industry (in which pension plans are more usual than most others) employed some 800,000 workers. In August 1959, the aircraft industry employed 61,500 employees. The massive lay offs of employees had very little to do with the age or restlessness of former employees.

Or take the case of a skilled employee who recently appeared before me in an arbitration. He is 51. Between 1949 and 1963 he worked for one company; it had a pension plan with 10-year vesting. His 13½ years of service did not qualify him for a vested pension claim because he was laid off for more than a year during that service. He left that Company in 1963 (at age 43) because of a serious shoulder injury. Since 1963 he has had a series of jobs lasting a year or less. This Spring he went into business for himself doing home repair

work. So, despite a lifetime of work, despite a long spell with one company, he will end up without a private pension.

Or consider a large manufacturing company whose plan had a 15-year vesting provision. During a 16-year period for which records were available it operated a dozen plants in different locations—but only three of them operated throughout the 16 years—only three, that is, provided the opportunity to achieve 15-year vesting during the period for which records were available.

Or consider the West Coast automobile plant or the Michigan Kaiser-Frazer plant both of which shut down after fewer than 6 years of operation. In the former case, one third of the employees were over 35 years old.

Or consider the Evansville, Indiana plant of International Harvester which that company acquired in May 1946 and shut down in September 1955.

Young and old employees were caught in those shutdowns. Their restlessness had nothing to do with either their job or pension credit loss.

Those older employees—once separated from a job—have a tough time finding new jobs and especially pension-covered jobs. The reasons are clear. Older men and women on the average have less formal education than younger people. Plant shutdowns occur frequently in older plants with older equipment and techniques. So, the skills of their former employees tend to be antique.

The actual—not the suppositions—job experience of laid off employees does not support the blithe reassurance that employees separated from pension-covered jobs will find snug, life-long, pension-covered harbors.

#### STUDEBAKER WAS BAD—BUT PACKARD WAS WORSE

Take the Packard Detroit shutdown—it was worse than the Studebaker failure. After a union-threatened law suit, Packard agreed to pay retirees 85% of their benefits, reducing the average benefit from \$59 to \$50 a month. Some 434 employees who had been eligible for retirement but stayed on the job received cash settlements equal to a bit more than a year and half's benefits. About 3300 Packard employees under age 60 had vested benefit claims—but received nothing.

What did happen—not what might have happened—to the Packard workers follows based on an actual study. (Most of the participating employees were over 40.)

The shutdown took place in mid-1956. Interviews with employees more than two years later showed that one out of five (22%) had no new job at all. One out of five (20%) had service jobs, in which pension coverage is rare. More than half (58%) had obtained manufacturing jobs, 25% with Big Three Auto companies and 33% in "other manufacturing." But—all of those in "other manufacturing" lost their jobs and more than half of those over age 50 lost their jobs.

In 1963 and 1964, 13,600 Republic Aviation workers were "released" from their jobs in Farmingdale, Long Island; some put the number as high as 15,000. The United States Disarmament Agency surveyed their post-lay-off rate.<sup>1</sup>

Three quarters of the men laid off were over age 35; indeed, 40.8% of them were over 46. The women weren't exactly giddy girls: 76% were over age 35 and 37.5% over age 45. In March 1965 almost one out of five of the men had no job; and only half the women had jobs. As might be expected, the shorter the period of formal education, the higher was the rate of unemployment.

The older the person, the less likely he (or she) was to have found a new job. Look at these data:

#### *Percentage employed—By age*

Under 25.....	87.2
25-35 .....	81.2
36-45 .....	76.8
46-55 .....	66.6
56 and over.....	41.3
(Very few were over 65.)	

"\* \* \* Production workers, who constituted the bulk of the Republic work force, tended to move down the occupation ladder; this was particularly true of the semiskilled workers, many of whom obtained either unskilled production jobs or service jobs \* \* \* after layoff." (At p. 26). The study also showed that

<sup>1</sup> All data on the Republic Aviation situation derives from U.S. Arms Control and Disarmament Agency, Post Lay Off Experiences: Republic Aviation Workers (1966).

just under half the former Republic workers stayed in manufacturing employment.

And, as a final note: "Only 27 men and no women were recalled to Republic." (p. 27). The length of service of those laid off employees tells a good deal about their pension credit potential. Up to one-third of the employees had under five years' employment; about a fifth had between five and nine years' employment. (So a 10-year vesting provision would have failed to save pension credits for over half those separated.) 39% had between 10 to 14 years service—so that a fifteen-year vesting requirement would have done no good for over 90% of that enormous group.

The Republic Aviation study shows that the pension potential of workers laid off from defense production jobs (in which pension coverage is uncommonly high) is poor because of their limited service in the pension-covered job (and the Republic work force was, indeed, longer service than many) and because their later employment frequently led to poorer-paying, poorer-status jobs for which pension coverage is less common. In addition, in a substantial percentage of cases, those first post-lay-off jobs disappeared as well.

These are not simply isolated occurrences. A study of major permanent layoffs (defined as involving more than 100 employees) shows that in a recent two-year period (July 1963–June 1965) some 525 establishments separated 187,000 employees. (The study did not attempt to ascertain the extent of non-reporting.) Note that this does not include the more common layoffs of indefinite duration, from which so many employees do not return, either because the employer does not call them back or they have moved and do not get notice of recall or they have become employed elsewhere. More than half (295) of the employing units involved shutdowns which affected employees of all ages: again the cliché that job separation is primarily confined to young employees simply does not hold up.

These companies did not go out of business; 117 such units relocated, while other units of the same companies continued to operate. Not unexpectedly, such layoffs were heavily concentrated in manufacturing, especially in defense related industry (the last accounting for almost half the total of employees laid off). While blue collar workers were heavily affected, some white collar and professional workers were caught as well.

#### IMPROVEMENTS IN PLANS—ARE THEY ADEQUATE?

Early in the 1944 Presidential campaign it became known that Governor Dewey was taking instruction on public speaking. In an interview his mentor modestly described his contributions to the enterprise explaining that, "Governor Dewey is a very good speaker—but he'll get better."

Many pension plan defenders take much the same line. The proper question was and is: have they been getting better enough?

#### COVERAGE—THE MYSTERY OF THE MISSING TEN MILLION

The number of people participating in pension plans obviously determines, in part, how many eventually will receive pension plan benefits. The extensiveness of coverage is directly related to the chances of achieving benefit eligibility for those who lose pension-covered jobs. The more jobs with coverage, the greater the chances of achieving a pension-covered job. And, as many separated employees move to lower pay, lower status jobs, the extensiveness of coverage in low pay jobs affects their potential.

One constantly hears today that about half the private, nonfarm work force—or some 28 to 30 million employees—work in pension-covered jobs. A recent release of the American Pension Conference puts the 1970 coverage figure at "over 30.0 million." For example, *Trends in Employee-Benefit Plans in the Sixties*, 34 SOCIAL SECURITY BULLETIN 21, at 26–27 (April 1971) puts the 1969 coverage figure at 29.3 million. The seeming precision of the figure obscures the fact that the figure is an estimate. But even that estimate includes unfunded plans. Such estimates seem unfounded. In 1970, the U.S. Department of Labor's Bureau of Labor Statistics reported that its count of pension plan reports filed with it showed that 19.5 million workers participated in such plans.

#### WHERE ARE THE OTHER 10 MILLION PERSONS SUPPOSEDLY WORKING UNDER PLANS?

The small, non-reporting, plans while numerous do not harbor them. (For example, the Bureau of Labor Statistics reports that while half the plans report-

ing cover from 26 to 199 employees those plans account for only 4% of employees under plans.)<sup>2</sup> It figures that even small plans would not account for a full 33%.

#### COVERAGE GROWTH SLOWER THAN PREDICTED

Projections of pension coverage by the Cabinet Committee in 1964 start with a 1963 assumed base of 23.5 million and predicted that private plans would cover about 34 million employees in 1970 and 42.7 million in 1980, excluding annuitants. To this must be added 5.5 million projected annuitants in 1970 and 8.3 million in 1980 (as compared with 2.4 million in 1963). (Of course, a sizable additional group of those presently at work will reach beneficiary status and then die before 1970 and 1980.) The retirees will necessarily come for the most part from those now under plans.

In the first place, the base seems erroneous. In addition, the projection assumed net additional pension coverage averaging 1.4 million persons a year (i.e., taking account of job separations and death). (Experience shows that existing plans provide little additional coverage and in some, notably in mining, the coverage has shrunk.) Indeed, the projected growth was to be larger in the early years. In fact, in the early years, new plans added 700 to 800,000 new participants (according to IRS figures) and that figure remained just about the same for 1968, according to the BLS study just cited.

In sum, growth of pension plan coverage has proceeded at less than half the projected rate.

#### PARTICIPATION REQUIREMENTS

Participation requirements are those conditions which must be met before an employee starts to build credits under a pension plan. Typically they exclude employees below age 25 or 30 and/or require one, three or five years service. The effect of these requirements is to add years of service to the nominal vesting and retirement eligibility requirements and to subtract years of service from that credited for benefit purposes, thereby reducing benefits.

The most recent BLS shows that in 1969, 22% of those in units with plans still face such hurdles—whereas 29% in units faced such requirements in 1962. More than 4,000,000 plan participants still are affected.

#### NORMAL RETIREMENT

From 1962 to 1969, service requirements for normal retirement were little changed. At the earlier date 76% of workers were under plans requiring 15 years of service, in 1969, that requirement still applied to 72% of plan participants.

#### VESTING

Vesting provisions exist in the overwhelming majority of single employer plans—and they have for over a decade. Attempts to claim improved pension performance because of the spread of vesting have been common.

But listen to the advice given more than two decades ago by the Director of Group Annuities of one of our largest insurance companies:

"I don't think there is any feature in a plan that gives you more good for the money it costs than vesting, providing you set the vesting at a point where it doesn't cost you anything. And that is what you can do. . . . With a typical type of vesting after 15 to 20 years of service and the payment [*sic*] at age 40 or 45, the turnover is so negligible thereafter that the cost is merely the absence of refunds you would otherwise get."<sup>3</sup>

Obviously, there is vesting and vesting. The question is: how much protection does it actually afford employees most subject to job loss?

As already indicated, a very large proportion of workers do not and cannot achieve long tenure in jobs because of the many factors constantly causing change in our society. Enormous numbers of men, white and black—and especially black—do not have long tenure. Even larger proportions of working women have job tenure that do not last 10 to 15 years. Yet such service—often plus an age requirement—are the usual conditions of qualifying for vested benefits.

In 1969, a larger percentage of workers were in plans with vesting than in

<sup>2</sup> Harry E. Davis, "The Growth of Benefits in A Cohort of Pension Plans," *Monthly Labor Review* 46 (May 1971).

<sup>3</sup> Quoted in Carroll Boyce "How to Plan Pensions: A Guidebook For Business and Industry," p. 69 (New York: McGraw Hill Book Co., 1950).

1962; the improvement, roughly, was from 3 out of 5 at the earlier date to 3 out of 4 in 1969. The largest improvement in eligibility conditions came from dropping the age conditions (which had been set at age 40 in most of the plans which changed). But this omission has not been universal by any means. In any event, almost half (45%) of those in plans with vesting need 10 years' service to qualify. Another 36% can qualify with 15 years of service; while 19% required 20 years or more—in effect, these latter are early retirement provisions.

Compare them also to the tenure—the actual tenure—that people actually achieve on the job.<sup>4</sup>

In the age group 40–44, the median tenure of all employees falls below 10 years. For the age 45–49 group, only half the white men are above that line—at 10.4 years. Non-white men of those ages have a medium tenure of 8.8 and women (white) 4.4 and (non-white) 4.1. Half the white men at work in January 1968 (the time of the survey) aged 55 to 59 had below 14.9 years at their current jobs. For the other groups the medians were non-white men, 11.9; white women, 8.3; non-white women, 7.4.

Looking at job tenure in the sectors where pension coverage is most common, the picture is somewhat better—but not much.

Industry and class of worker	Men			Women		
	16 to 24 years	25 to 44 years	45 years and over	16 to 24 years	25 to 44 years	45 years and over
<b>Wage and salary workers:</b>						
Mining.....		5.3	13.1			
Construction.....	0.6	2.6	5.4		2.8	
Manufacturing.....	.8	4.7	14.7	0.8	2.6	8.8
Durable goods.....	.9	4.5	14.3	.9	2.4	8.3
Nondurable goods.....	.7	5.3	15.4	.8	2.8	9.1
Transportation and public utilities.....	.9	6.1	18.4	1.0	4.3	13.5
Wholesale and retail trade.....	.5	3.3	8.8	16	1.5	4.9
Service and finance.....	.5	2.7	7.4	.6	2.0	5.3
<b>Occupation:</b>						
Clerical.....	.7	5.3	14.3	.8	2.5	6.9
Sales.....	.6	3.3	9.1	.5	1.5	5.1
Operatives (i.e., factory production workers)....	.6	3.8	12.8	.7	2.1	7.7

In lay-offs, usually fewer than half the employees will be separated—and those will be in the shorter service group. In union shutdowns all or just about all of the employees (except for some executives and specialists) are given the gate. As can be seen, fully half of those employed under age 45 would receive no protection from the vesting provisions most commonly in use. And fully half of all age groups fall short of the tenure require for vesting in more than half the vesting-covered jobs under pension plans (i.e., where the service required is either 15 or 20 years or more). Any one can see that women simply don't get into the vesting game in any significant numbers.

With all the advertised improvements, vesting provisions do not afford real protection to vast numbers of working men and, especially, women.

#### CONCLUSION

Comprehensive pension reform requires a statute that, at the least,

- (1) Makes early vesting—at one year of service—compulsory.
- (2) Enables establishment of one National Pension Clearing House, under private auspices if they are available, under public auspices if private initiative is lacking to—
  - (a) Provide a national pension plan for employees of small companies;
  - (b) Provide a central plan to which to transfer the value of vested credits of separated employees.
- (3) Makes mandatory rapid funding of past service credits.
- (4) Establishes high fiduciary standards for all union, management, and administrative officials who make pension plan decisions affecting employee interests.
- (5) Prohibits all dealings between plans and employees, unions and administrators.

<sup>4</sup> Data from Edmond O'Boyle, "Job Tenure," Monthly Labor Review, September 1969, pp. 16-23.

Without these protective features, private pension plans are too unreliable, too inefficient, and too unfair to warrant continued subsidy by the taxpayers.

## ATTACHMENT 1

TABLE 5.—PENSION RECEIPT: PERCENTAGE DISTRIBUTION OF MEN INITIALLY ENTITLED TO RETIRED-WORKER BENEFITS BY EMPLOYMENT AND BENEFIT-PAYMENT STATUS, JANUARY-JUNE 1969 AWARDS

Receipt of pension	Working		
	Stopped working (retired)	Payable awards (partly retired)	Postponed awards (not retired)
Number (in thousands).....	164	84	119
Total percent.....	100	100	100
Recipients.....	48	15	10
Private.....	37	8	6
Public <sup>1</sup> .....	12	7	4
Private and public.....	1		
Nonrecipients.....	52	81	85
Not reported.....		4	5

<sup>1</sup> Public pension programs include State, local, and Federal employee pensions, military retirement, and railroad retirement.

TABLE 6.—PENSION COVERAGE ON CURRENT WAGE AND SALARY JOB: PERCENTAGE DISTRIBUTION OF EMPLOYED MEN INITIALLY ENTITLED TO RETIRED-WORKER BENEFITS, JANUARY-JUNE 1969 AWARDS

Pension coverage	Payable awards (partly retired)	Postponed awards (not retired)
Number of wage and salary workers (in thousands).....	50	89
Total percent.....	100	100
Covered under pension plan on current job.....	14	46
Receiving a pension from the plan.....	4	3
Expect to receive.....	7	36
Don't expect to receive.....	1	2
Don't know and not reported.....	2	5
Not covered.....	77	49
Don't know and not reported.....	9	5

## ITEM 2—PREPARED STATEMENT OF CLIFFORD M. MACMILLAN\*

## THE STUDEBAKER-UAW PENSION PLAN

The Studebaker-UAW pension plan became effective on November 1, 1950 as the result of a collective bargaining agreement between the UAW-CIO, its Local #5, and the company. It was terminated by agreement between the parties on November 1, 1964.

The reason for its termination was that the Studebaker Corporation had been forced by economic necessity to discontinue its automotive manufacturing in the United States which resulted in the termination of its employees engaged in that endeavor at South Bend, Indiana.

The announcement of the Corporation's intention to discontinue manufacturing in South Bend was made on December 9, 1963 and by the end of 1964, all but a handful of the employees covered by the pension plan had been terminated.

During the fourteen years the plan was in existence, it:

- (a) Accumulated assets of \$37,906,093.26,
- (b) Provided for pensions for 4,626 persons,
- (c) Paid out \$2,447,931.08 to 4,080 former employees not eligible for retirement.

\*See statement on p. 45.

## PENSION PLAN HISTORY

The effective date of original hourly pension plan was November 1, 1950.

## CHARACTERISTICS OF PLAN

*Normal Retirement.*—Age 65—10 years of credited service, \$1.50 per month per year of credited service, maximum 30 years of credited service. Minimum \$4.00 x 25 years less Social Security.

*Early Retirement.*—Age 60—10 years of credited service. Reduced by  $\frac{1}{10}$  of 1% for each month less than 65.

*Early Retirement—Company Option.*—Age 60—10 years of credited service, \$3.00 per month per year of credited service (maximum 30 years) then reduced to normal retirement at age 65.

*Automatic Retirement.*—Age 68 (to be effective January 1, 1952) at Normal Retirement rate.

*Total and Permanent Disability.*—Age 50—15 years of credited service, \$3.00 per month per year of credited service (maximum 30 years). To be reduced to normal retirement at age 65.

## CHANGES EFFECTIVE JUNE 1, 1953

Changed Benefits to \$1.75 per month per year of credited service (maximum 30 years). Funding of past service to June 1, 1953 was extended to 30 years from this date.

## CHANGES EFFECTIVE SEPTEMBER 1, 1955

Benefits increased to \$2.25 per month per year of credited service.

Company option under Early Retirement discontinued.

Credited service in lieu of Vacation given—maximum 120 hours.

Vesting put into plan—between ages 40 and 60—10 years of credited service with no service given prior to age 30.

Central Pension Board established to administer plan, equal number of company and union representatives were appointed.

Disability Benefits under Social Security became a deduction under Total and Permanent Disability Benefits.

Funding extended to 30 years from September 1, 1955.

## CHANGES EFFECTIVE SEPTEMBER 1, 1959

*Benefit changes*

Those retired prior to September 1, 1959, \$2.35 per month per year of credited service and \$2.50 per month per year for credited service in 1959.

Those retired after September 1, 1959—\$2.40 per month per year of service prior to January 1, 1959 and \$2.50 per month per year for service after January 1, 1959.

As a part of Early Retirement—Mutually satisfactory condition added.

Early—Permanent and Total Disability—Automatic and Vested Benefits all computed on above scale.

Funding extended to 30 years from September 1, 1959.

## CHANGES EFFECTIVE DECEMBER 1, 1961

After January 1, 1962 Benefits of \$2.50 per month for all years of credited service.

Total and Permanent Disability eligibility reduced from 15 to 10 years of credited service.

Survivorship option added—for this Pension to be reduced by 10% (if same age) and further reduced by  $\frac{1}{2}$  of 1% for each year wife is younger.

Vesting—credited service for all time worked, age 30 restriction eliminated.

Credited Service given—40 hours for each week draws weekly Benefits under the Health Security program—40 hours given for Short Work weeks.

## TERMINATION AGREEMENT DATED OCTOBER 15, 1964

This Agreement between the Union and the Company was, in effect, an implementation by which the Pension Plan was terminated and the fund distributed in accordance with its provisions.



The Termination Agreement had the required approvals by Internal Revenue Service.

Company contributions ceased as of October 30, 1964, however, plan continued through November 1, 1964.

Applicants for pensions had to attain 60 by November 1, 1964 but had until November 1, 1965 to apply for Pension.

Former employees, with vested rights, if terminated prior to November 1, 1961 were eligible for pension benefits only if they attained age 65 by November 1, 1964.

Applicants for Total and Permanent disability pension had to be disabled prior to November 1, 1964 and make proper application by December 1, 1964 to qualify.

Annuities were to be purchased for those drawing pension benefits. These annuities would assure a full pension payment to all retired and pensioned for their lifetime. This was at a cost of \$21,555,131.32 from the pension fund.

The assets of the Pension Fund after their purchase of the Annuities was to be distributed in keeping with the provisions of the Pension Plan (1961) to employees not entitled to a pension but with vested rights.

Such individuals had to be between the age of 40 and 60 by November 1, 1964 and had to make application for such distribution by November 1, 1965.

After purchase of annuities those on disability pension were not to have pension reduced even though they received Social Security payments until their 65th birthday.

#### DISTRIBUTION FACTS

About 4,550 persons between age 40 and 60 were notified of eligibility for lump sum. Heard from all but 13 individuals (many deceased). 4,080 persons received a total of \$2,447,931.08.

#### FINANCIAL ADMINISTRATION OF PENSION FUND

(*Entire Fund Contributed by Studebaker Corp.*)

From the start of the Pension Plan, the financial management of the Fund was in the jurisdiction of the Trustee, The Chase-Manhattan Bank. The parties had indicated that the Fund be invested only in bonds, government securities, and stocks on the "legal list."

A joint pension committee (Union and Company) was named in the Pension Plan to confirm the eligibility of the employee, the pension service, and to authorize the Trustee to commence pension payments.

#### CONCLUSION

Until the pension plan came into existence, Studebaker hourly employee had not been covered by a pension plan. Of significance was that the plan provided that years of service to be counted included past service. Thus, for older employees, a contingent right of considerable value was suddenly created. Conversely, for Studebaker Corporation, a contingent liability was suddenly created, based on past operations but not provided for by them.

Studebaker had large numbers of long-service employees at this time. Funding for past services was planned over a thirty-year period and the life of the pension plan was not sufficient for the past service to be entirely provided for.

Exhibit No. 1 attached sets forth by year the total employees retired under the plan, the total receiving pensions, the amount of pensions paid, and contributions made by the Company. It also reflects the Termination Agreement.

## EXHIBIT NO. 1.—LIST OF RETIREES RECEIVING PENSION, PENSION PAID AND COMPANY CONTRIBUTIONS

	Total number retired	Total number receiving pension	Pension paid to retirees	Company contribution to plan
Nov. 1, 1960, to Dec. 31, 1970.....	81	81	\$3,717.65	-----
Dec. 31, 1951.....	232	228	162,646.66	\$2,528,236
Dec. 31, 1952.....	731	664	199,664.90	1,421,936
Dec. 31, 1953.....	876	747	314,230.08	2,097,782
Dec. 31, 1954.....	1,144	949	443,281.94	1,570,717
Dec. 31, 1955.....	1,429	1,160	512,107.86	1,366,559
Dec. 31, 1956.....	1,833	1,470	758,339.80	1,190,308
Dec. 31, 1957.....	2,095	1,717	1,023,218.22	2,596,386
Dec. 31, 1958.....	2,359	1,590	1,127,219.94	4,531,793
Dec. 31, 1959.....	2,511	1,929	1,240,067.22	2,590,050
Dec. 31, 1960.....	2,724	2,036	1,353,907.73	2,383,680
Dec. 31, 1961.....	2,534	2,124	1,449,773.26	2,400,000
Dec. 31, 1962.....	3,162	2,240	1,526,011.09	1,982,311
Dec. 31, 1963.....	3,397	2,297	1,611,124.90	2,047,454
Dec. 31, 1964.....	4,626	3,401	2,177,719.61	1,724,570
			13,903,030.86	30,432,782
Annuities purchased from Aetna Life Insurance Co. to pay pension.....			21,555,131.32	-----
Total.....			35,458,162.18	-----
In addition, 4,080 other employees received in a lump sum the amount of.....			2,447,931.08	-----
Total paid on behalf of employees.....			37,906,093.26	-----

## ITEM 3—LETTER FROM LESTER J. FOX

JUNE 7, 1971.

Senator VANCE HARTKE,  
U.S. Senate Committee on Aging,  
New Senate Office Building, Washington, D.C.

DEAR SENATOR HARTKE: I indicated at the U.S. Senate Committee on Aging hearing held in South Bend on June 4th that I would check for information relative to the question Miss Helen Madick raised about a survey she was involved in following the closing of the Studebaker plant.

I have checked every source known to me at Notre Dame. The only study effort relative to the plant closing that I could identify was financed by a \$25,000 grant to the Social Science Training and Research Laboratory at Notre Dame from the Area Redevelopment Administration. Dr. Frank Fahey was director of the program which interviewed 490 former employees on 2 occasions. There was no payment made to those persons interviewed.

I trust this information will be helpful to you.

Sincerely,

LESTER J. FOX,  
Executive Director.

## ITEM 4—LETTER FROM JAMES J. BAKER

JUNE 8, 1971.

Senator VANCE HARTKE,  
Senate Office Building,  
Washington, D.C.

DEAR SENATOR HARTKE: I would like to thank you for, first of all, the concern you have shown over the past years regarding the problems of older workers and their employment, and secondly, for your concern for the need for a program of federal re-insurance of private pension plans. I am sure you are well aware that this is of major concern to the citizens of the Third Congressional District of Indiana, and especially at this time to the citizens of Elkhart. As you know, the C. G. Conn. Ltd. plant is presently being closed down, and thousands of Elkhartans are concerned for the future of other Elkhart plants in light of the buying up of these plants by large conglomerates who seem to have little or no feeling for the workers or the community.

On behalf of the Area #3 CAP, I would like to thank you for the hearing which you held in South Bend on June 4th, regarding these problems. The only regret which I have is that more of your colleagues in the Senate could not have been

with you. We know how you feel about these problems, however, the need is for some of the other Senators to see the need.

Also, I might add that Phil Crone and I enjoyed working on this project with Tom Brunner of your staff and Dave Affeldt of the Special Committee on the Aging staff. We wish to compliment them on the fine job they performed in setting up the hearing.

Once again, our thanks to you for conducting the hearing in South Bend on June 4th, and we sincerely hope that hearings such as this might be held in other parts of the country which might cause some of your colleagues in the Senate to realize the great need for quick action to guarantee workers everywhere that they will get the retirement pension they deserve for their golden years of their lives. If possible, I would like to receive a copy of the hearing.

Very truly yours,

JAMES J. BAKER, *Chairman.*

ITEM 5—FOR MANY OLDSTERS, SOCIAL SECURITY RISE  
DOESN'T DO MUCH GOOD

[FROM THE WALL STREET JOURNAL, JUNE 3, 1971]

GAINS IN LIVING COSTS, CUTBACK IN OTHER FEDERAL AID HURT;  
NO LIVER, BUT A BANANA SPLIT

(By Marguerite Nugent)

NEW YORK—Today should be a happy day for 72-year-old Rubin Traub, a weary-looking retired garment worker who wears a battered hat and rumpled trousers. In this morning's mail will come a \$16 increase in his monthly Social Security check—seemingly enough for a few more groceries or a pair of new shoes.

Not enough at all, says Mr. Traub as he sits forlornly in the dingy basement of an old people's club on Manhattan's Lower East Side. The increase in Social Security benefits, he explains, won't even cover the \$17 a month by which his rent recently rose. Pinned to Mr. Traub's tattered lapel is a small black-and-gold button that says "Senior Power." Pointing to the pin, he laments, "This means nothing. New shoes? Why, I can't even afford a shoeshine."

Others share Mr. Traub's feelings about the 10% rise in benefits. To a large extent, that increase soon will be or already has been—eaten up by advances in the cost of living, talks with more than 100 elderly persons in New York indicate. And while costs in the U.S. as a whole haven't risen as fast as in this city, many of the nation's 26 million Social Security recipients aren't in much better financial shape than Mr. Traub.

What's more, the elderly complain, whatever they might gain from the 10% increase is being wiped out by cuts in other federal programs designed to help the aged. On July 1, for example, the Health, Education and Welfare Department will stop its funding for food at 26 centers across the nation. The program is designed to provide nutritionally balanced meals for the elderly. Already, nine of the centers have eliminated hot noontime meals—for which they charged 55 to 65 cents.

SUNDAE IN NEW YORK

As a result, there's a tinge of bitterness when some of the elderly discuss the Social Security increase. "I think I'll get a banana split," says Tom Duffy, a retired transit worker who spends much of his time playing shuffleboard in a Brooklyn park. "Sure, it'll help," sneers Max Tobias, a retired house painter who lives on the Lower East Side. "Maybe I can afford a newspaper every once in a while." But Mrs. Flora Meegan, a widow in her 80s, says she may go to the dentist for the first time in seven years.

The extra money is provided by a bill that President Nixon signed March 17. The increase will be retroactive to Jan. 1 (retroactivity checks will be mailed in June) and will raise the total of national benefits by \$260 million from the current level of \$2.6 billion a month. The measure also provides for a 5% increase in payments for persons 72 and over who don't qualify for full Social Security benefits.

On the average the rise will mean \$125 a month instead of \$114 for single recipients and \$218.90 instead of \$199 for couples. The minimum payment for single people will rise to \$70.40 from \$64, and for couples it will go to \$105.60 from \$96.

Since January of last year, when the previous Social Security benefit rise of 15% went into effect, the cost of living across the nation has risen 5.9%. In New York City, where 1.1 million recipients live, the jump has been 7.4%.

#### WOES OF A FORMER FURRIER

A retired furrier, Max Silverman, says all but \$4 of his \$16 gain in Social Security benefits will go toward a recent increase in his rent.

Rent increases come as no surprise to those who must deal with the problems of the elderly. "Once new benefits go into effect, it isn't long before the landlords start raising their rents to match the increase," says an official at New York City's Office of the Aging. No one could agree more than Mrs. Gurtie Shlakman, who lives in a low-income housing project on the Lower East Side and just had her rent raised 20%. "It's like they give you the money with one hand and take it away with the other," she complains.

The elderly, however, can fight such increases. New York City has a program under which retired persons aged 62 and over may apply for exemptions from rent increases provided their yearly income doesn't exceed \$4,500 and their rent is at least a third of that total. Under this stipulation, a group of the elderly in the Bronx is fighting a 15% rent increase.

Housing, of course, represents only one of the rising expenditures that older citizens—as well as Americans in general—must face. Some elderly persons under doctors' care say they can no longer afford certain foods they are supposed to eat. "My doctor says I'm supposed to have liver once a week," says an 80-year-old man sitting on a park bench at Broadway and 72nd Street. Choking on the exhaust fumes of buses that roar by, he adds, "But liver went to \$1.15 a pound from 85 cents in one week recently, and I can't afford it any more, even with the increased benefits." And Mr. Tobias, the former house painter, says he is supposed to take lemon juice with his medication but has stopped buying lemons because the price rose so sharply. "Who can afford it?" he asks.

## Appendix 2

### STATEMENTS SUBMITTED BY THE HEARING AUDIENCE

During the course of the hearing a form was made available by the chairman to those attending who wished to make suggestions and recommendations but were unable to testify because of time limitations. The form read:

DEAR SENATOR HARTKE: If there had been time for everyone to speak at the hearing on "Unemployment Among Older Workers," in South Bend, Indiana, on June 4, 1971, I would have said:

The following replies were received:

MRS. ROBERT ARCHIBALD, SOUTH BEND

I would have thanked you for your heroic effort to end the agony of Vietnam—and your plans to end unemployment for older and younger citizens.

My best wishes and moral support to you as you strive in your high office, toward that end.

JOHN H. HARRINGTON, SOUTH BEND

The meeting held in South Bend was very interesting.

I feel sure you will do all you can for the retirees on Social Security.

Certainly Studebakers has a moral obligation to all former employees perhaps not a legal one.

D. WINFREY, NILES, MICH.

I have 14 years at Studebaker and I haven't got anything.

1. What about our pension plan?
2. What about our Service plan pay?
3. What about our Insurance pay plan?

A. L. GABY, SOUTH BEND, IND.

I would like to have your committee check into the Teamsters Union pension fund: As to why you can lose your pension after 15, 18 or even 19 years of service.

Also why do some Teamsters members have no pension rights even tho they pay the same dues as other members.

I am 60 years old and have about 14 dues paying years in the Teamster Union and I don't want to lose it as I did 22 years pension rights at Studebaker.

I also would like a copy of this hearing. Thank you.

WARREN HARTMAN, ELKHART, IND.

I lost my job because of closing the Elkhart Warehouse at the Rosenstein Building. They move our work across town, about two miles to the Haines Warehouse. Both warehouses have the same union. Teamster 364 South Bend, Indiana. But different contract which the company Uniroyal, Inc. of Mishawaka,

Indiana, said it didn't make them any different if we went over or not, but they did not dare to infer with the union, so the union left the Division of Labor of Indianapolis decide what we could do. And they said we could not unless we went over and started at the bottom as a new man hire in. I have 18 years of service and is 54 years old, if I was one year older I could get my pension and life time insurance for me and my family for life. Besides losing my pension we lost 9 paid holidays, 4 weeks vacations and insurance and other benefits which amount to about a \$1000 dollars a year. My thinking the company could of taken us out there by using Department number 279 because in there contract they have no bumping rights in difference department, so I know I cannot get a job with these benefits that I work for 18 years, so I wish some way the federal government or someone could fix it that we could carry our own pension.

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ELVA C. COX, LINTON

There is no word for what I could say of what the Green Thumb Job has meant to me and other men from age groups from 45-96 years of age. I think there should be some help for those people and I think such projects as Green Thumb, Green Light, Main Stream and Head Start.

When I had to retire from work, I drew \$79.00 dollars a month to live and keep soul and body together. Then came Green Thumb which I got on. I work 3 days a week at \$1.60 an hour which gave me a new birth of life. I hope these projects go on forever.

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CLARENCE D. KELLY, SOUTH BEND

Studebaker Retiree, Local No. 5. Started 1923, Seniority 4/16/25. Retired 6/22/64 @ \$2.50 per hour. Seniority 38.7 years. Chairman Stude: Retirees.

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GEORGE H. SNYDER, PLYMOUTH

Insuring of pension plans is a must, some plans are small.

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JOHN LIPKE, MISHAWAKA

Let's originate an insurance protection by the U.S. Government for pension programs for American workers and include all the people who lost out on busted pension programs (this money to come from the U.S. Treasury).

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CHARLES S. LEONE, SOUTH BEND

I am 23 years old, have a B.S. in Physics from the University of Notre Dame, and I have been unemployed for 16 months. If I can't get a job now, what happens when I am 45?

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CLIFFORD HAMILTON, SOUTH BEND

I am 58 years old, I can't get a job anywhere on account of my age only on Green Thumb, I don't get any Security checks, no old age pension, only work I get is Green Thumb and I think if they could get more programs going for older fellers the better they do good jobs. I am not able for hard work or ruff stuff.

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SHIRLEY FULTON, SOUTH BEND

Let me say Senator that I am unemployed but not considered "Older" because I'm 41. My interest with you would be a discussion of FAP. I and all affiliates in the NWRO are against this. I cannot see where it is going to benefit poor people or any people except corporations etc. Even union workers would lose

their "Strike Power." If they were to strike all the plants would have to do is call the local D.P.W. and send for "Slave Labor" under the title of "Training Programs". I believe Mr. Bob Hills stated you or your representatives would be back in South Bend in approximately 2 weeks. We will welcome an opportunity to speak about this matter then.

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JAMES MILLER, PRINCETON

DEAR SIR: I would of asked why we cannot stop spending for space age and spend more for age people in this needed day and I hope you men that are in Washington, D.C. to act upon these hearing which we are in need of some sort or help to the old age which is needful now to help pay their bills in which are very high. And I hope in Washington, D.C. to raise the amount of \$1680 to a rate in which they to rate about \$2600 which would help the old age people we need help now and not 10 years from now. Thank You.

We need more men to work on the Green Thumb now?

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THURVIN LOVE, NILES

1. What about Service pay. 2. What about Insurance Plan. 3. What about Pension pay.

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STANLEY HOSSLER, ELKHART

Too many conglomerates purchase plants and irresponsibly close them and gain a tax loss. Recent example—Westinghouse bought out C. G. Conns in Elkhart. Some regulation should be imposed. To make it less profitable for conglomerates to practice this. This also points out the urgent need for pension re-insurance.

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EUGENE J. JONES, NILES, MICH.

1. Is there any pension plan?
2. What about service pay?
3. Insurance plan.

